



411 4th Avenue
Fairbanks, AK 99701
Phone: (907) 474-2011
Fax: (907) 474-2001

www.allalaskagasline.com

Appendix H - V

Binder 7

AGIA License Application
November 30, 2007

Board of Directors:

Mayor Jim Whitaker, Chairman • Mayor Bert Cottle, Vice-Chair • Merrick Peirce, Treasurer •
Dave Cobb, Secretary • Luke Hopkins • Dave Dengel • Rex Rock • Randy Hoffbeck • Harold Curran

APPENDIX H

Preliminary Draft of Precedent Agreement for Firm Natural Gas Transportation Service

DRAFT AGREEMENT

PRECEDENT AGREEMENT FOR FIRM NATURAL GAS TRANSPORTATION SERVICE

This Precedent Agreement for Firm Natural Gas Transportation Service (“**Precedent Agreement**” or “**FTPA**”) is entered into as of [INSERT DATE] (“Effective Date”), by and between [INSERT SHIPPER NAME], a [INSERT ENTITY TYPE] (“**Shipper**”), and [INSERT PIPELINE NAME], a [INSERT ENTITY TYPE] (“**Sponsor**”). Sponsor and Shipper are sometimes referred to herein individually as a “**Party**” and collectively as the “**Parties.**”

RECITALS

WHEREAS, Sponsor currently has authorization for the construction and operation of a natural gas pipeline system [INSERT PIPELINE NAME] to facilitate transportation of natural gas;

WHEREAS, the authorization authorizes maximum firm deliveries of 1.8 Bcf per day through the pipeline;

WHEREAS, the Parties desire to enter into a binding precedent agreement which sets forth the terms on which the Parties will execute a firm transportation service agreement for the pipeline implementing the service described herein, all on the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the understandings, obligations and mutual covenants herein assumed, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

AGREEMENT

1. SERVICE; RATES; DURATION.

(a) Service. Subject to the conditions set forth herein, including without limitation the condition set forth in Section 3(a), Shipper shall purchase, and Sponsor shall provide, the firm natural gas transportation service on the pipeline as described on Exhibit A attached hereto (the “**Service**”). The Service shall be provided only pursuant to an FTSA (as defined below) entered into between the Parties in accordance with the terms of Section 2(b) below.

(b) Rates. The transportation rate (“**Rate**”) Shipper shall pay for the Service shall be a negotiated rate for the duration of the term of Service as set forth on Schedule 1 attached hereto.

(c) Commencement of Service. Subject to the terms and conditions set forth herein, the Service shall commence on the date (“**Commencement Date**”) that is the later of (i) _____, and (ii) the date specified in a notice delivered to Shipper by Sponsor indicating that Sponsor has received and accepted the Authorization (as hereinafter defined); provided, however, that in no event shall the Commencement Date be prior to the date on which Sponsor completes construction of the pipeline and places the pipeline into service.

(d) Duration. The term of the Service shall continue until the date (“**Primary Term End Date**”) that is [INSERT # OF YEARS]) years after the Commencement Date.

2. CERTAIN COVENANTS.

(a) Regulatory Authorizations. On or before _____, Sponsor shall file an application for Authorization.

(b) Completion of Pipeline; Provision of Service. Sponsor agrees to act in good faith using commercially reasonable efforts to cause the completion of the pipeline and commence providing the Service on or before _____.

(c) Execution of Firm Transportation Service Agreement. No later than thirty (30) days after receipt of request therefor from Sponsor, the Parties shall execute a Firm Transportation Service Agreement (“**FTSA**”) in the form set forth in Section 1 hereof. The effective date of the FTSA (“**Effective Date**”) shall be the Commencement Date.

(d) Credit Support. If prior to execution of this Precedent Agreement, Shipper shall not have demonstrated its creditworthiness in accordance with the terms of Exhibit B, then no later than ten (10) days after execution of this Precedent Agreement, Shipper shall deliver to Sponsor Credit Support at the times indicated in the table below for its obligations hereunder. For purposes of this Precedent Agreement, “**Credit Support**” means, at Shipper’s option, either: (1) a guarantee of Shipper’s obligations under this Precedent Agreement in form and substance acceptable to Sponsor from an entity that meets the credit requirements set forth in Exhibit B and is otherwise acceptable to Sponsor, or (2) (A) an irrevocable direct pay letter of credit in form and substance acceptable to Sponsor issued by a bank or financial institution acceptable to Sponsor, or (B) cash collateral delivered to Sponsor, in an aggregate amount as set forth below.

The following table sets forth the applicable payment dates and amounts:

Credit Support Timetable and Amounts

Date	“Aggregate Credit Requirement”
No later than ten (10) days after execution of the Precedent Agreement through the term of the FTSA.	

Shipper shall maintain its creditworthiness in connection herewith, either directly or through provisions of Credit Support, throughout the term of this Precedent Agreement. The Parties agree that Shipper’s failure to supply or maintain Credit Support shall in no way relieve Shipper of its other obligations under this Precedent Agreement nor Sponsor’s right to seek damages and/or performance under this Precedent Agreement.

Notwithstanding any other provision hereof to the contrary, the credit terms and conditions set forth in this Section 2(d) and in Exhibit B will survive termination of the FTSA and will be applicable to the FTSA.

(e) Cooperation. Each Party agrees to execute and deliver such other and additional instruments and documents and do such other acts of a ministerial nature or that confirm factual

matters as may be reasonably requested by the other Party to effectuate the terms and provisions of this Precedent Agreement. Shipper expressly agrees to reasonably cooperate with the efforts of Sponsor to obtain any regulatory or governmental approvals Sponsor deems necessary or desirable to develop, permit, construct, own or operate the pipeline, in whole or in part (including any regulatory or governmental approvals that are necessary to increase the capacity of the pipeline to accommodate other Shippers), or otherwise to provide the Service by (a) timely filing by Shipper of interventions in support of Sponsor's applications; and (b) providing any information that is not privileged, confidential or proprietary reasonably requested by Sponsor in preparing such applications or by any governmental or regulatory body in connection with such applications.

(f) **Reporting.** As and when reasonably requested by Shipper in writing, Sponsor shall update Shipper in writing as to the status of the regulatory proceedings, and Sponsor's ability to meet its obligations hereunder; provided, however, that Sponsor shall notify Shipper promptly after Sponsor becomes aware of a condition or event that, in the reasonable judgment of Sponsor, would materially and adversely affect Sponsor's ability to satisfy its material obligations under this Precedent Agreement without the need for a written request from Shipper.

3. SPONSOR'S CONDITIONS PRECEDENT.

Sponsor's obligation to provide the Service is expressly subject to the satisfaction or waiver (in each case, and with respect to either satisfaction or waiver, in the sole discretion of Sponsor) of the conditions set forth in clauses (a) and (b) of this Section 3.

(a) Sponsor shall have received all Authorizations in a form acceptable to Sponsor in its sole discretion.

(b) **Notice of Satisfaction.** Shipper shall promptly notify Sponsor upon satisfaction, waiver or failure of the condition set forth in Section 3(a).

4. TERM; TERMINATION.

(a) **Term.** This Precedent Agreement shall be effective as of the Effective Date and shall remain in effect until the date on which it is terminated in accordance with the terms set forth in this Section 4.

(b) **Termination by Sponsor.** Sponsor may terminate this Precedent Agreement upon notice to Shipper if: (i) the condition set forth in Section 3(a) is not satisfied or waived on or before _____, (ii) the Commencement Date shall not have occurred as of _____, or (iii) Shipper fails to comply with any of its material obligations hereunder as and when required, and/or otherwise is in material breach of this Precedent Agreement and such breach continues for a period of thirty (30) days after notice thereof to Shipper. Any termination pursuant to this Section 4(b) shall be effective upon Shipper's receipt of Sponsor's termination notice. Sponsor's termination notice shall be in writing and shall be delivered to Shipper in accordance with the requirements of Section 6(c).

In the event Sponsor terminates this Precedent Agreement pursuant to clauses (i), (ii) or (iii) of the first paragraph of this Section 4(b), Shipper shall be entitled to prompt return of any Credit Support provided hereunder.

In the event that Sponsor terminates this Precedent Agreement due to the material breach by Shipper of its obligations, Shipper shall, within five (5) days after receipt by Shipper of Sponsor's termination notice pay to Sponsor by wire transfer of immediately available funds an

amount (“**Default Payment**”) equal to the Aggregate Credit Requirement. If Shipper fails to pay the Default Payment to Sponsor within such five (5) day period, interest shall accrue on the unpaid portion of the Default Payment until it is paid in full, with interest.

Shipper and Sponsor agree that the Default Payment represents a reasonable and fair estimate of the damages that are expected to be incurred in the event that this Precedent Agreement.

(c) Termination by Shipper. Shipper may terminate this Precedent Agreement: (i) if the condition set forth in Section 3(a) is not satisfied or waived on or before _____, or (ii) if the Commencement Date shall not have occurred on or before _____, or (iii) if Sponsor fails to comply with any material obligations hereunder as and when required, and/or otherwise is in material breach of this Precedent Agreement and such breach continues for a period of thirty (30) days after notice thereof by Shipper to Sponsor. Any termination pursuant to this Section 4(c) shall be effective upon notice by Shipper to Sponsor. Shipper’s termination notice shall be in writing and shall be delivered to Sponsor in accordance with the requirements of Section 6(c).

In the event Shipper terminates this Precedent Agreement pursuant to this Section 4(c), Shipper shall, as its sole and exclusive remedy, be entitled to prompt return of any Credit Support provided hereunder.

(d) Termination Upon Date Service Commences Under FTSA. Unless otherwise terminated in accordance with Section 4(b) or 4(c), this Precedent Agreement shall terminate on the Commencement Date.

(e) Effect of Termination. The termination of this Precedent Agreement shall not relieve any Party hereto from any right, liability or other obligation, or any remedy or limitation of remedies, which has accrued or been incurred prior to the date of such termination.

5. REPRESENTATIONS AND WARRANTIES.

Each Party represents and warrants to each other as follows:

(a) Such Party is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is in good standing in each other jurisdiction where the failure to so qualify would have a material adverse effect upon the business or financial condition of such Party.

(b) The execution, delivery and performance of this Precedent Agreement by such Party has been duly authorized by all necessary action on the part of such Party in accordance with such Party’s charter documents and do not and will not require the consent of any trustee or holder of any indebtedness, or be subject to or inconsistent with other obligation of such Party or any other party to any other agreement with such Party.

(c) This Precedent Agreement has been duly executed and delivered by such Party. This Precedent Agreement constitutes the legal, valid, binding and enforceable obligation of such Party, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application relating to or affecting creditor’s rights generally and by general equitable principles. The Parties recognize that the enforceability of this Agreement may also be subject to regulatory orders.

(d) No governmental authorization, approval, order, license, permit, franchise or

consent, and no registration, declaration or filing with any governmental authority is required on the part of such Party in connection with the execution and delivery of this Precedent Agreement.

(e) There is no pending or, to the best of such Party's knowledge, threatened action or proceeding affecting such Party before any court, government authority or arbitrator that could reasonably be expected to materially and adversely affect the financial condition or operations of such Party or the ability of such Party to perform its obligations hereunder, or that purports to affect the legality, validity or enforceability of this Precedent Agreement or would otherwise hinder or prevent performance hereunder.

6. MISCELLANEOUS.

(a) Limitation of Liability/Exclusive Remedies. No Party shall be liable to any other Party under this Precedent Agreement or under the FTSA for any special, indirect, incidental, punitive or consequential damages of any nature, or for any lost profits, however arising, even if such Party has been made aware of the possibility of such damages or lost profits. Whenever a remedy is specified in this Precedent Agreement, the specified remedy shall be the sole and exclusive remedy available to the Parties to the exclusion of any other rights, powers, privileges or remedies provided by law.

(b) Assignment. No Party shall sell, assign, pledge, encumber or otherwise transfer (collectively "**Transfer**") this Precedent Agreement or any of its rights or obligations hereunder other than in accordance with the terms of this Section 6(b). From and after the date hereof, any Party may Transfer its right, title and interest in this Precedent Agreement, in whole or in part, with the consent of the Sponsor in the case of a Transfer by Shipper and with the consent of Shipper in the case of a Transfer by any Sponsor, which consent may not be unreasonably withheld or delayed; provided that any Transfer to an Affiliate of a Party shall not require the consent of any other Party; provided further, that any assignee or transferee, including without limitation Affiliate assignees or transferees, shall assume in writing all of the transferring Party's rights and obligations under this Precedent Agreement, including without limitation with respect to any assignment by Shipper, the obligation to satisfy the credit conditions set forth in Section 2(c) prior to or concurrently with the assignment taking place. Upon any assignment of this Agreement to an Affiliate as set forth in the previous sentence, the assignor shall be released from all obligations hereunder. As used herein, "**Affiliate**" means, with respect to any natural person, corporation, general partnership, limited partnership, limited liability company, firm, association, governmental authority, or any other entity whether acting in an individual, fiduciary or other capacity ("**Person**"), any other Person which directly or indirectly (i) owns or controls such Person, (ii) is owned or controlled by such Person, or (iii) is under common ownership or control with such Person; for purposes of this definition, "**Control**" shall mean the power to direct the management or policies of such Person, whether through the ownership of voting securities, by contract or otherwise. Notwithstanding the foregoing, any Party to this Precedent Agreement may assign this Precedent Agreement and its rights hereunder as security for indebtedness or for performance of its other obligations to third parties, and each Party hereby agrees to timely execute and deliver such documents and certificates as are reasonably requested by the assigning Party or its lenders in connection with any such collateral assignment.

(c) Notices. All notices required or permitted under this Precedent Agreement shall be in writing and sent to:

Sponsor:

And a copy to:

Shipper:

With a copy to:

Either Party may change its address by written notice to that effect to the other Party. Notices given hereunder shall be deemed to have been effectively given upon: (i) the first business day at the recipient's office following the day when the notice properly addressed and postpaid had been delivered to recipient's address by registered U.S. mail, return receipt requested or by a nationally recognized overnight courier; and (ii) the first business day at the recipient's office following the day when the sender of the notice received confirmation from its facsimile machine that such notice was successfully transmitted. It is expressly understood and agreed, however, that any notices referred to hereunder shall first be delivered by facsimile or other similar means, in accordance with the dates and time provided therein, and shall be mailed as soon as practicable thereafter.

(d) Entire Agreement. This Precedent Agreement sets forth all understandings and agreements between the Parties with respect to the subject matter hereof, and all prior discussions, communications, agreements, understandings and representations, whether written or oral, with respect thereto are merged into and superseded by this Precedent Agreement.

(e) Modifications. This Precedent Agreement may only be amended by an instrument in writing executed by all Parties. Any waiver of the terms hereof by either Party shall be in writing.

(f) Governing Law. This Precedent Agreement, and any actions, claims, demands or settlements hereunder shall be governed by and construed in accordance with the laws of the State of _____, without reference to any conflicts of law principles which might require the application of the laws of any other jurisdiction.

(g) Compliance with Law. This Precedent Agreement and the obligations of the Parties hereunder are subject to all applicable laws, regulations, rules, and orders of all governmental and regulatory bodies having jurisdiction.

(h) Dispute Resolution. Any disputes, controversies or claims that arise between the Parties (the "**Disputing Parties**") relating to this Precedent Agreement (a "**Dispute**") shall be resolved by means of the following procedure:

- (i) **Notice of Dispute**. Any Disputing Party shall give notice to the other Disputing Parties in writing that a Dispute has arisen ("**Dispute Notice**").

- (ii) **Informal Dispute Resolution.** If the Disputing Parties have failed to resolve the Dispute within fifteen (15) business days after the Dispute Notice was given, the Disputing Parties shall seek to resolve the Dispute by negotiation between the executive officers of each Disputing Party. Such executive officers shall endeavor to meet and attempt to amicably resolve the Dispute. If the Disputing Parties are unable to resolve the Dispute through negotiation within thirty (30) business days after the Dispute Notice was given, then the Dispute shall be finally resolved through arbitration in accordance with provisions of clause (iii) below.
- (iii) **Arbitration.** Any Dispute that is not settled pursuant to clause (ii) above shall be finally settled by arbitration as follows:
- (1) Any such Dispute shall be submitted to binding arbitration by the American Arbitration Association for arbitration in Houston, Texas in accordance with the Commercial Arbitration Rules then in effect, except as more particularly provided herein. The Parties agree that an officer or other representative with authority to resolve the Dispute for each party shall attend the arbitration. There shall be three (3) arbitrators, with each of Sponsor and Shipper, or their successor in interest if applicable, selecting one. The third arbitrator, who shall be the chairman of the panel, shall be selected by the two Party-appointed arbitrators. The claimant shall name its arbitrator in the demand for arbitration. The third arbitrator shall be named within thirty (30) days after the appointment of the second arbitrator. The American Arbitration Association shall be empowered to appoint any arbitrator not named in accordance with the procedure set forth herein. Each arbitrator will be qualified by at least ten (10) years experience in the natural gas industry.
- (2) Each of the Parties hereto consents to the procedure herein set forth. The Parties agree to make discovery and disclosure of all matters relevant to the dispute to the extent and in the manner provided by the Federal Rules of Civil Procedure. The arbitrators shall rule on all requests for discovery and disclosure and discovery shall be completed within sixty (60) days of the date on which the third arbitrator is appointed (“**Arbitration Commencement Date**”). The arbitrators shall issue a final ruling within ninety (90) days of the Arbitration Commencement Date. The ruling of the arbitrators shall be in writing, signed, and shall contain a statement of findings and conclusions of law in addition to the award decision. The decision of the arbitrators shall be final and binding upon the parties, in so far as the law allows, without the right of appeal to the courts. The award rendered by the arbitrators shall be final in so far as the law allows, and judgment thereon may be entered by any court having jurisdiction thereof. The costs and expense of the arbitration (including reasonable attorney's fee) will be paid by the losing party, unless the arbitrators determine that it would be manifestly unfair to honor

this agreement of the parties and determine a different allocation of costs.

- (3) The arbitrators shall not have the authority or power to alter, amend or modify any of the terms or conditions of this Precedent Agreement. The arbitrators' powers shall be limited to enforcement of this Precedent Agreement as to the issues raised by the Parties, and shall not include the power to award consequential, indirect, special, punitive, or exemplary damages.
- (4) Performance of this Precedent Agreement shall continue during arbitration proceedings or any other dispute resolution mechanism pursuant to Section 6(h)(ii) or to this Section (6(h)(iii). No payment due or payable by Sponsor or Shipper shall be withheld on account of a pending reference to arbitration or other dispute resolution mechanism; provided that in the event Shipper disputes the amount or content of any invoice, Shipper shall be not responsible for payment of such invoice or portion of such invoice that is pending reference to arbitration or other dispute resolution mechanism until such dispute is resolved. Any disputed amount which is ultimately determined to have been payable shall not accrue interest for failure to pay, provided that it is a bona fide dispute.
- (5) The Parties hereto hereby irrevocably waive, to the fullest extent permitted by applicable law, any and all rights to trial by jury in any legal proceeding arising out of or relating to this Precedent Agreement or the transactions contemplated hereby.

(i) Waiver. Unless otherwise specifically indicated herein, any waiver, consent or approval of any kind or character by a Party of any term or condition set forth in this Precedent Agreement, or of any breach or default hereunder, shall be given or withheld in the sole discretion of the waiving, consenting or approving Party and all such waivers, consents or approvals shall be in writing. No delay or omission to exercise any right, power or remedy accruing to any Party as the result of any breach or default hereunder shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of any similar breach or default thereafter occurring, nor shall any waiver of any single breach or default be deemed or otherwise constitute a waiver of any other breach or default theretofore or thereafter occurring.

(j) Drafting. For the purposes of contractual interpretation, the terms, conditions and provisions of this Precedent Agreement shall not be construed against any Party as a result of the preparation or drafting thereof.

(k) Filing. Sponsor may file this Precedent Agreement with regulatory bodies and shall use commercially reasonable efforts to obtain confidential treatment with respect to this Precedent Agreement in connection with any such filing.

(l) Exhibits. The following Exhibits and Schedules are attached hereto and expressly made part of this Precedent Agreement:

Exhibit A: Terms of Service

Exhibit B: Credit Requirements

Schedule 1: Rates

(m) Counterpart Execution. This Precedent Agreement may be executed in counterparts, and all such executed counterparts shall form part of this Precedent Agreement. A signature delivered by facsimile shall be deemed to be an original signature for purposes of this Precedent Agreement.

(n) Severability. In the event that any of the provisions of this Precedent Agreement are held to be unenforceable or invalid by a court of competent jurisdiction, the Parties shall negotiate an equitable adjustment to the provisions of this Precedent Agreement with a view toward effecting to the extent possible the original purpose of this Precedent Agreement, and the validity and enforceability of the remaining provisions, or portions or applications thereof shall not be affected thereby.

(o) Confidentiality. This Precedent Agreement and the terms set forth herein are confidential and the Parties agree not to disclose such terms other than as otherwise set forth in this Agreement and in the Confidentiality Agreement signed by the Parties, if any, and as required by applicable law or any securities exchange; provided that each Party may disclose the terms hereof to each of their and their respective Affiliates' officers, employees, agents, lenders, suppliers, service providers and other advisors that have a bona fide need to know such information and to potential assignees of their interests under this Precedent Agreement and agree to keep such information confidential provided further, that the disclosing party shall be responsible for any such breach of these confidentiality provisions by the parties to which it disclosed such information. The provisions of this Section 6(o) shall survive termination of this Precedent Agreement until the date that is two (2) years after the date of such termination, provided, however that the Parties acknowledge that Sponsor or Shipper may file this Precedent Agreement with regulatory bodies.

(p) Survival of Certain Provisions. In addition to (i) the survival of the terms of Section 2(d) and Exhibit B and their applicability to the FTSA as set forth in Section 2(b), and (ii) the survival of the confidentiality obligations set forth in Section 6(o) as set forth therein, the terms of each of Sections 4(e), 6(a) and 6(h) shall each survive termination of this Precedent Agreement.

IN WITNESS WHEREOF, the Parties hereto executed this Precedent Agreement as of the Effective Date.

[INSERT PIPELINE NAME]

[INSERT SHIPPER NAME]

Signed: _____
Name: _____
Title: _____

Signed: _____
Name: _____
Title: _____

APPENDIX I-1

TAGS Alignment Sheets
Revision 4.1, June 20, 2003

[See Roll # 1]

**THIS PAGE CONTAINS PROPRIETARY OR TRADE
SECRET INFORMATION THAT IS CONFIDENTIAL TO
THE PORT AUTHORITY, WHO REQUESTS THAT THE
INFORMATION BE KEPT CONFIDENTIAL AND
EXEMPT FROM PUBLIC DISCLOSURE TO THE
EXTENT PROVIDED IN AS 43.90.150 & AS 43.90.160**

Appendix I through I-5 – Pipeline Alignment Sheets and TAGS Alignment Sheets

AGPA requests confidential treatment of information contained in Appendix I through I-5 – Pipeline Alignment Sheets and TAGS Alignment Sheets.

The Pipeline Alignment Sheets and TAGS Alignment Sheets marked as Appendix I through I-5 to AGPA's AGIA application consists of and contains proprietary information (as defined by AS 43.90.900 (20) and Trade Secrets (as defined by AS 45.50.940 (3)). The Pipeline Alignment Sheets and TAGS Alignment Sheets contain proprietary information and valued intellectual property and release of this information would cause significant damage to AGPA and its project. There is no question that release of the information ". . . would adversely affect the competitive position of the applicant or materially diminish the commercial value of the information to the applicant[.]" AS 43.90.900 (2). Moreover, the information ". . . derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use;" and ". . . is the subject of efforts that are reasonable under the circumstances to maintain its secrecy." AS 45.50.940 (3).

Brief non-confidential summary pursuant to AS 43.90.160:

The information contained in Appendix I through I-5 – Pipeline Alignment Sheets and TAGS Alignment Sheets shows the placement of the gas pipeline within the Right of Way. Please note that the Pipeline Alignment Sheets and TAGS Alignment Sheets do not lend themselves to being copied with the proprietary or trade secret information redacted.

APPENDIX I-2

TAGS Alignment Sheets
Vol. I of IV, 001-035

[See Roll # 2]

**THIS PAGE CONTAINS PROPRIETARY OR TRADE
SECRET INFORMATION THAT IS CONFIDENTIAL TO
THE PORT AUTHORITY, WHO REQUESTS THAT THE
INFORMATION BE KEPT CONFIDENTIAL AND
EXEMPT FROM PUBLIC DISCLOSURE TO THE
EXTENT PROVIDED IN AS 43.90.150 & AS 43.90.160**

APPENDIX I-3

TAGS Alignment Sheets
Vol. II of IV, 036-070

[See Roll # 3]

**THIS PAGE CONTAINS PROPRIETARY OR TRADE
SECRET INFORMATION THAT IS CONFIDENTIAL TO
THE PORT AUTHORITY, WHO REQUESTS THAT THE
INFORMATION BE KEPT CONFIDENTIAL AND
EXEMPT FROM PUBLIC DISCLOSURE TO THE
EXTENT PROVIDED IN AS 43.90.150 & AS 43.90.160**

APPENDIX I-4

TAGS Alignment Sheets
Vol. III of IV, 071-105

[See Roll # 4]

**THIS PAGE CONTAINS PROPRIETARY OR TRADE
SECRET INFORMATION THAT IS CONFIDENTIAL TO
THE PORT AUTHORITY, WHO REQUESTS THAT THE
INFORMATION BE KEPT CONFIDENTIAL AND
EXEMPT FROM PUBLIC DISCLOSURE TO THE
EXTENT PROVIDED IN AS 43.90.150 & AS 43.90.160**

APPENDIX I-5

TAGS Alignment Sheet
Vol. IV of IV, 106-141

[See Roll # 5]

**THIS PAGE CONTAINS PROPRIETARY OR TRADE
SECRET INFORMATION THAT IS CONFIDENTIAL TO
THE PORT AUTHORITY, WHO REQUESTS THAT THE
INFORMATION BE KEPT CONFIDENTIAL AND
EXEMPT FROM PUBLIC DISCLOSURE TO THE
EXTENT PROVIDED IN AS 43.90.150 & AS 43.90.160**

APPENDIX I-6

TAGS Revision 4.1
Alignment Sheets
June 20, 2003

Appendix includes one page that is marked:

THIS PAGE CONTAINS PROPRIETARY OR TRADE
SECRET INFORMATION THAT IS CONFIDENTIAL TO
THE PORT AUTHORITY, WHO REQUESTS THAT THE
INFORMATION BE KEPT CONFIDENTIAL AND
EXEMPT FROM PUBLIC DISCLOSURE TO THE
EXTENT PROVIDED IN AS 43.90.150 & AS 43.90.160

APPENDIX J-1

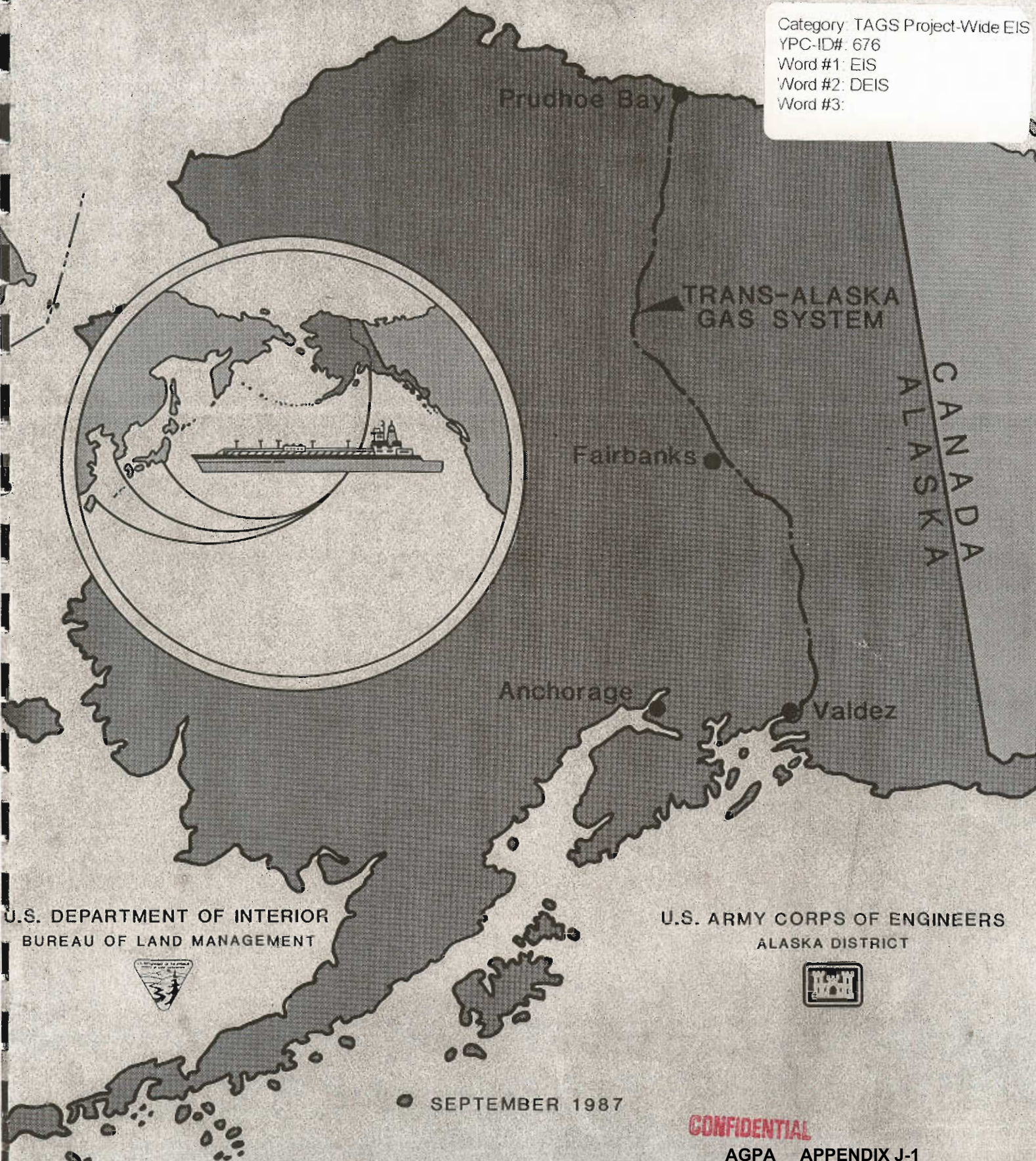
Land Status Along Proposed TAGS Route
Appendix F of Trans-Alaska Gas
System Draft Environmental
Impact Statement
September, 1987

APPENDIX J-1

Land Status Along Proposed TAGS Route
Appendix F of Trans-Alaska Gas
System Draft Environmental
Impact Statement
September, 1987

TRANS-ALASKA GAS SYSTEM DRAFT ENVIRONMENTAL IMPACT STATEMENT

Karen Wierstenfels
Category: TAGS Project-Wide EIS
YPC-ID#: 676
Word #1: EIS
Word #2: DEIS
Word #3:



U.S. DEPARTMENT OF INTERIOR
BUREAU OF LAND MANAGEMENT



U.S. ARMY CORPS OF ENGINEERS
ALASKA DISTRICT

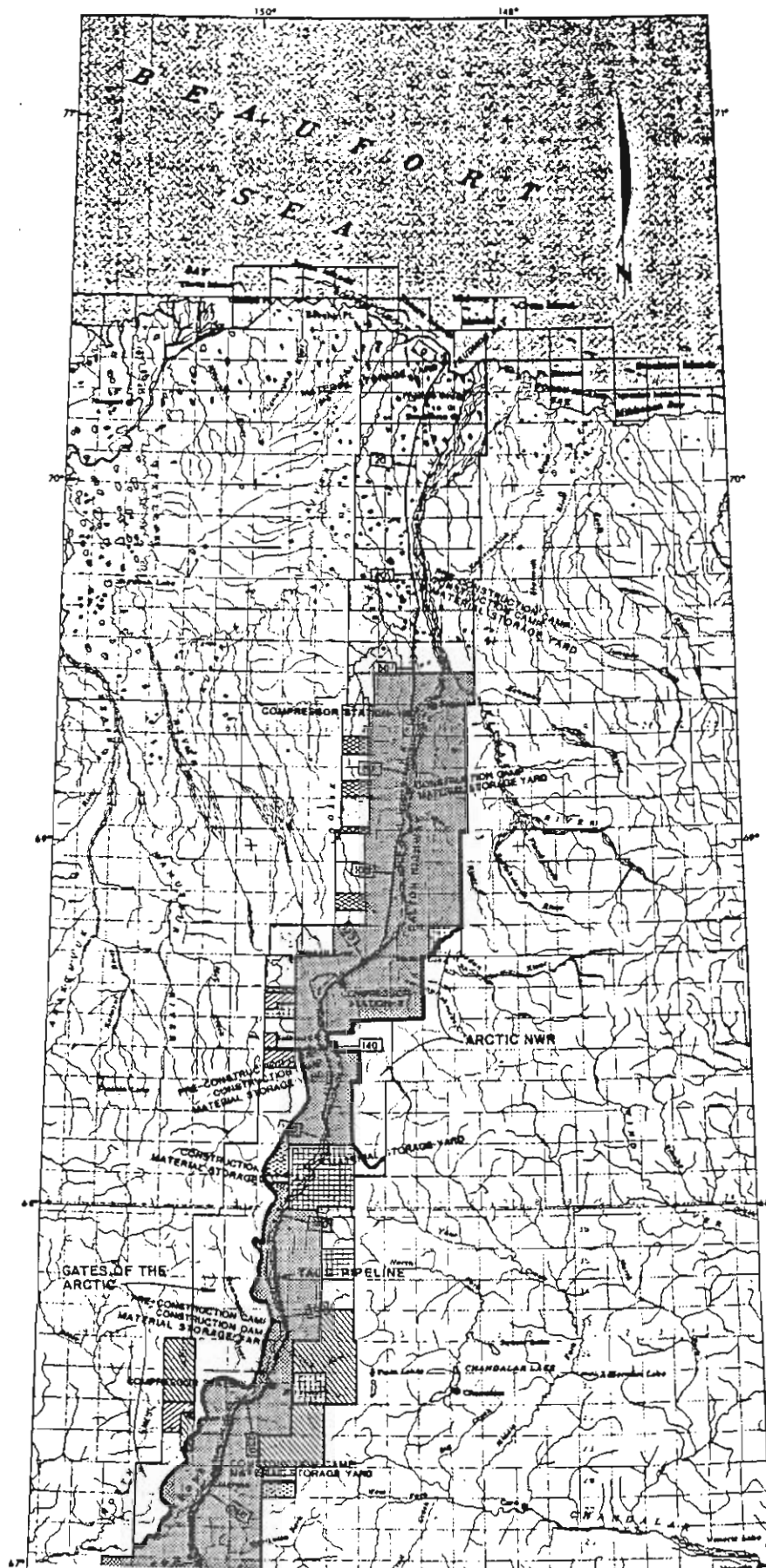


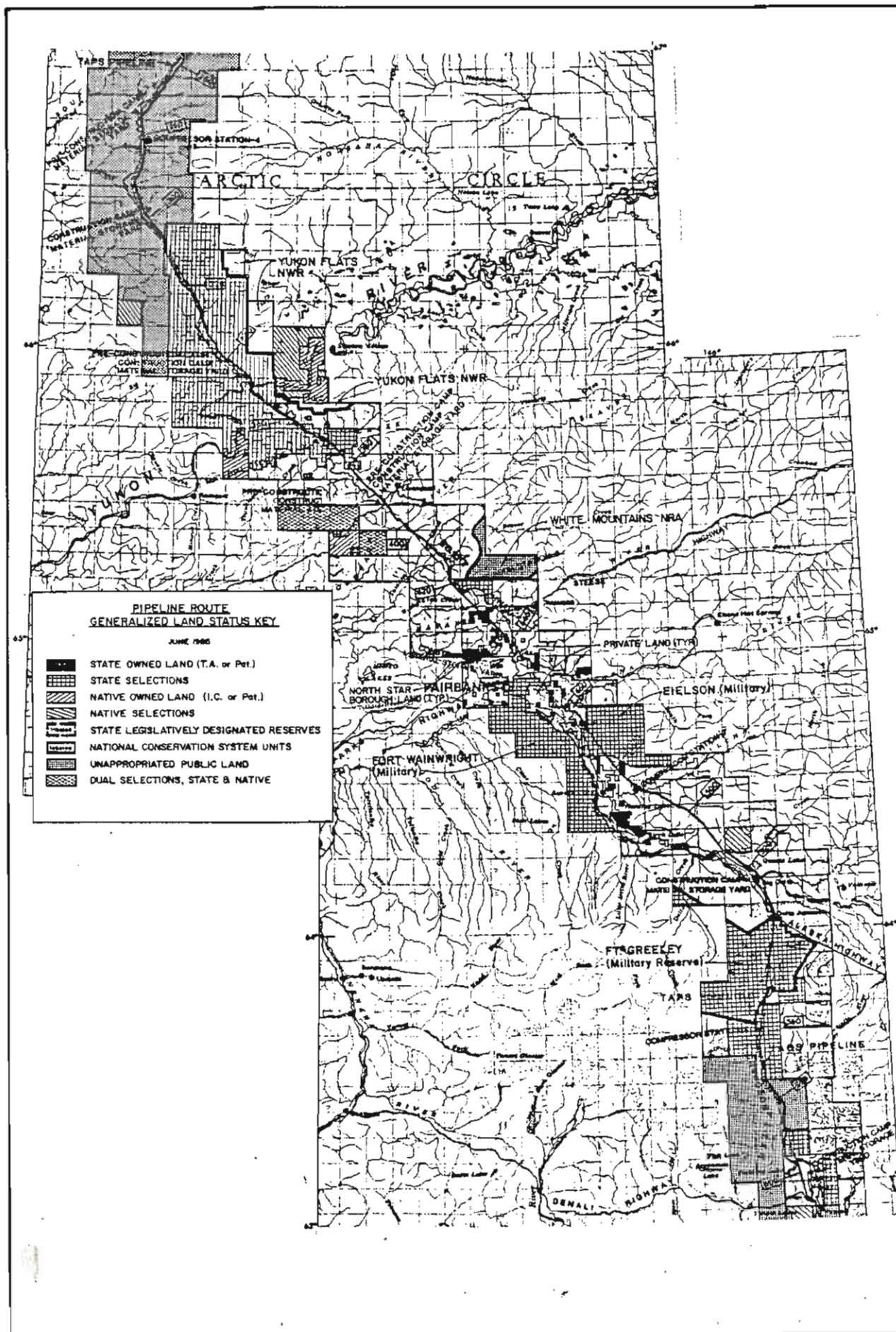
SEPTEMBER 1987

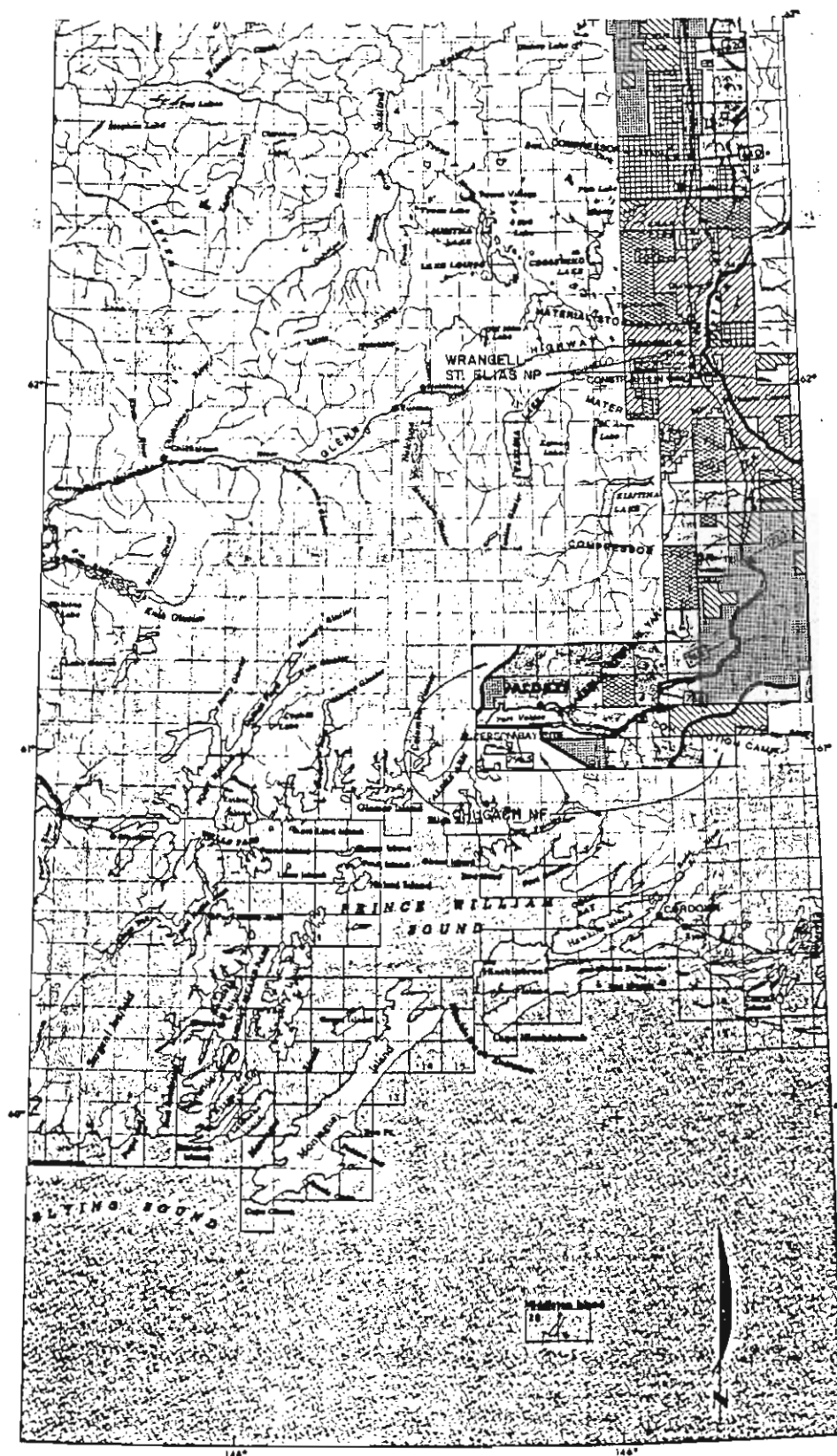
CONFIDENTIAL

AGPA APPENDIX J-1

Page 1 of 4







APPENDIX J-2

TAPS Right of Way Map Showing Land Ownership

Final Environmental Impact Statement

Renewal of the Federal Grant for the Trans-Alaska Pipeline System Right-of-Way

November 2002

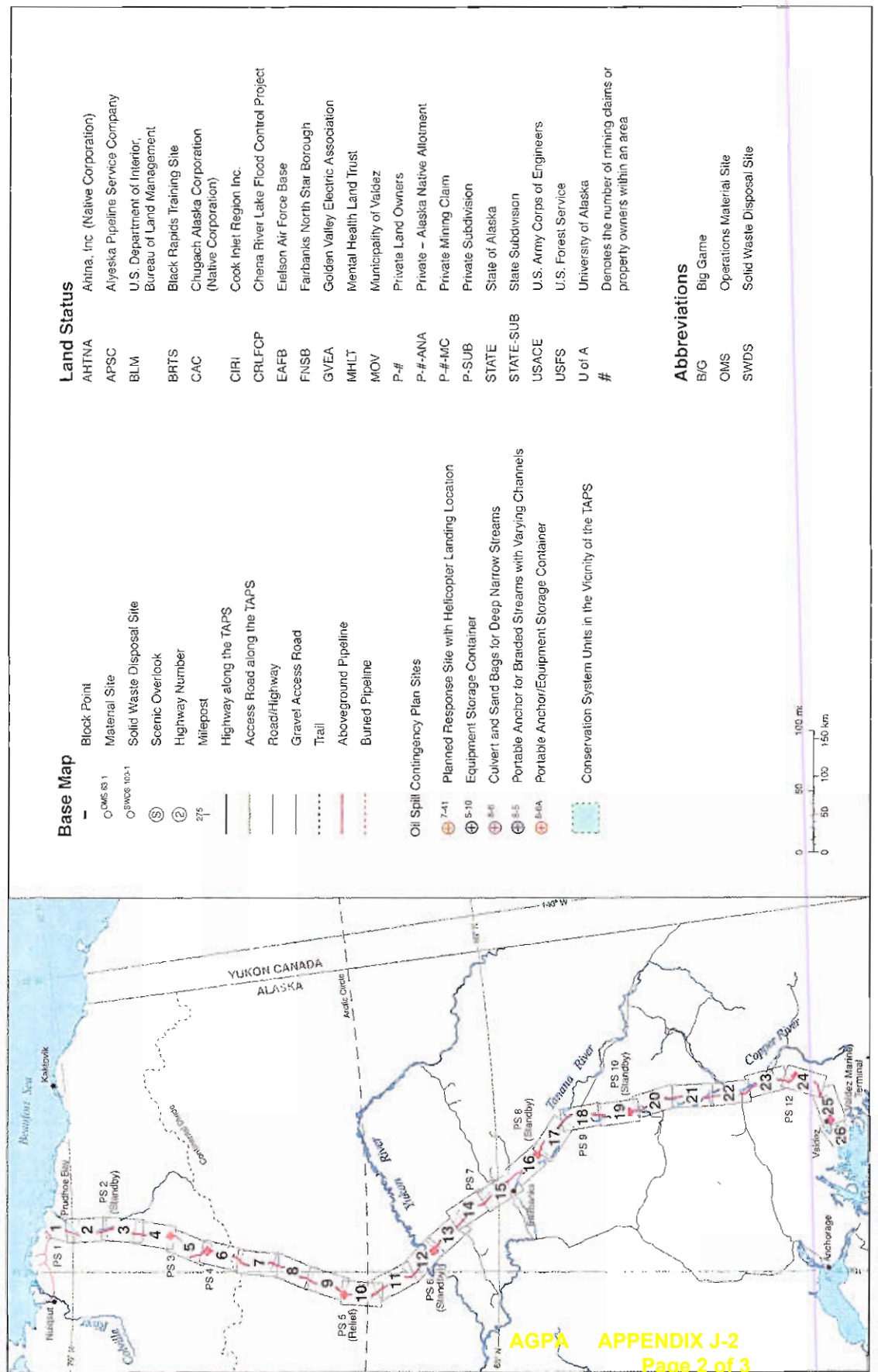
U.S. Department of the Interior
Bureau of Land Management
BLM/AK/PT-03/005+2880+990



TAPS 2005 Valuation
Doc No.: 2200-011
Proj. No.: 11-01013-10101-0103
Client: 004516, NCI: 115905
PM: Nancy Hughes

AGPA APPENDIX J-2
Page 1 of 3





Part 2: TAPS ROW Map Atlas

This part of the map volume contains the TAPS ROW Map Atlas. It consists of a base key map and 26 location maps that cover the 800-mi length of the TAPS ROW. After the key map, Map 1 starts the series at the North Slope, and Map 26 ends the series at the south end at the beginning of the tanker lanes in Prince William Sound. The maps include the following information:

- TAPS pipeline and facilities, including pump stations, access roads, and material sites
- Topography
- Place names
- Water bodies and glaciers
- Public Land Survey System with township and range labeled
- Roads
- Land ownership of the ROW
- Locations of larger spills
- Visual resource locations
- Conservation system units
- Oil Spill Contingency Plan sites

The maps are plotted at a scale of 1:143,400 (approximately 1 inch = 2.25 miles). The datum is NAD 27. The projection and the coordinate system are UTM Zone 5.

APPENDIX K

Marine Transportation Cost Estimate

**THIS PAGE CONTAINS PROPRIETARY OR TRADE
SECRET INFORMATION THAT IS CONFIDENTIAL TO
THE PORT AUTHORITY, WHO REQUESTS THAT THE
INFORMATION BE KEPT CONFIDENTIAL AND
EXEMPT FROM PUBLIC DISCLOSURE TO THE
EXTENT PROVIDED IN AS 43.90.150 & AS 43.90.160**

Appendix K – Marine Transportation Cost

AGPA requests confidential treatment of information contained in Appendix K – Marine Transportation Cost to its AGIA Application.

The letter and cost estimate of Time Charter for Liquid Natural Gas (LNG) Carrier marked as Appendix K to AGPA's AGIA application consists of and contains proprietary information (as defined by AS 43.90.900 (2)) and Trade Secrets (as defined by AS 45.50.940 (3)). The Marine Transportation Industry is extremely competitive and release of this information would significantly damage on going negotiations. There is no question that release of the information "... would adversely affect the competitive position of the applicant or materially diminish the commercial value of the information to the applicant[.]" AS 43.90.900 (2). Moreover, the information "... derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use;" and "... is the subject of efforts that are reasonable under the circumstances to maintain its secrecy." AS 45.50.940 (3).

Brief non-confidential summary pursuant to AS 43.90.160:

The eight (8) page letter and cost estimate of Time Charter for LNG Carrier marked as Appendix K to AGPA's AGIA application contains confidential breakdowns of (1) the contractual structure of the Time Charter; (2) Operations data including trade routes, downtime and physical constants; (3) the availability and specifications of the vessels; (4) Charge for Time Charter Hire; and (5) Transportable Volume and limit freight cost including confidential breakdown costs for various trade routes. Please note that the eight (8) page letter and cost estimate does not lend itself to being copied with the proprietary or trade secret information redacted.

APPENDIX L

Teaming Agreement between the
Port Authority & BGT Limited,
BLNG Inc., & Mitsui O.S.K. Lines, Ltd.



**THIS PAGE CONTAINS PROPRIETARY OR TRADE
SECRET INFORMATION THAT IS CONFIDENTIAL TO
THE PORT AUTHORITY, WHO REQUESTS THAT THE
INFORMATION BE KEPT CONFIDENTIAL AND
EXEMPT FROM PUBLIC DISCLOSURE TO THE
EXTENT PROVIDED IN AS 43.90.150 & AS 43.90.160**

APPENDIX M

Mitsui O.S.K. Lines' LPG Shipping Business

Mitsui O.S.K. Lines

LPG Business

November 2007

Profile of MOL's LPG Fleet - Existing Vessels-

LPG Fleet List - existing vessels -

Name of Vessel	GOHSHU	CAPTAN MARKOS NL	MUSASHIGLORA	GAS EASTERN	GREAT TRIBUNE	JA SUNSHINE	YUHSO (*)
Builder	MHI	HHI	KHI	Kurinoura	MHI	KHI	MHI
Built	Sep. 1990	Nov. 2006	Mar. 1993	Jun. 1996	Nov. 1999	Mar. 1994	Feb. 1999
Flag	Panama	Bahamas	Japan	Panama	Panama	Panama	Panama
Class	NK	LR	NK	NK	NK	NK	NK
LOA	217.4 m	225.27 m	224.05 m	99.90 m	230.00 m	224.05 m	230 m
BEAM	36.60 m	36.65	36.00 m	19.00 m	36.60 m	36.00 m	36.6 m
Depth	20.40 m	22.04 m	20.70 m	8.00 m	20.40 m	20.70 m	-
Draft (summer)	11.00 m	12.20 m (basis full tank Butan)	10.60 m (basis full tank Butan)	5.80 m	10.80 m	11.02 m	10.8 m
DWT (summer MT)	47,473 MT	58,850 MT	49,255 MT	4,894 MT	49,609 MT	49,353 MT	49,723 MT
Cargo Tank Capa. (100% capacity)	71,913 m ³	82,000 m ³	75,178 m ³	5,019 m ³	78,432 m ³	75,387 m ³	78,000 m ³
Booster/Reheater	None	Fitted	None	None	Fitted	None	Fitted
Ownership	MOL	TC in from Dorian	MOL	MOL	MOL	MOL	TC in from Yuyo
Status	Spot	Spot	Spot	TC Out to Vitol until May 2008	TC Out to Itochu until Nov 2008	CVS to Zenno until Mar 2009	Spot
Notes				Pressurised type			

(*) YUHSO will join the fleet in early 2008

Profile of MOL's LPG Fleet -New Buildings-

LPG Fleet List - New Buildings -

Name of Vessel	TBN-MLG	TBN-1	TBN-2	TBN-3	TBN-4	TBN-5	TBN-6	TBN-7
Builder	KHI	MHI	MHI	KHI	HHI	MHI	HHI	HHI
Delivery	Dec. 2007	2009 3Q	2009 4Q	2009 4Q	2009 4Q	2010 1Q	2010 1Q	2010 2Q
Flag	Bahamas							
Class	NK	NK	NK	NK	DNV	NK	DNV	DNV
LOA	226.00 m	230.00 m	230.00 m	226.00 m	225.00 m	230.00 m	225.00 m	225.00 m
BEAM	37.20 m	36.60 m	36.60 m	37.20 m	36.60 m	36.60 m	36.60 m	36.60 m
Depth	21.00 m	21.65 m	21.65 m	21.00 m	22.00 m	21.65 m	22.00 m	22.00 m
Draft(summer)	11.20 m	11.15 m	11.15 m	11.20 m	11.40 m	11.15 m	11.40 m	11.40 m
DWT (summer MT)	52,900 MT	51,000 MT	51,000 MT	52,900 MT	50,700 MT	51,000 MT	50,700 MT	50,700 MT
Cargo Tank Capa. (100% capacity)	80,000 m ³	83,000 m ³	83,000 m ³	80,000 m ³	82,000 m ³	83,000 m ³	82,000 m ³	82,000 m ³
Booster/Reheater	Fitted	Fitted	Fitted	Fitted	Fitted	Fitted	Fitted	Fitted
Ownership	MOL	MOL	MOL	MOL	TC in from CDO	MOL	TC in from CDO	TC in from CDO
Status	TC Out to MLG	<i>Spot</i>	<i>Spot</i>	<i>Spot</i>	<i>Spot</i>	<i>Spot</i>	<i>Spot</i>	<i>Spot</i>
Notes								

Profile of MOL Tanker Fleet

World Largest Tanker Fleet to meet All Needs

- ❑ 39 Crude Carriers / 36 Product Carriers / 17 Methanol Carriers / 7 LPG Anmonia at present
- ❑ Strong Commitment for Safety
- ❑ Highest Standard in-house Ship Management
- ❑ Superior Officers and Crew from various in-house manning sources – India, Philippine, Eastern Europe and Japan

MOL's New Strategy in VLGC

New, but Experienced LPG Common Carrier in East of Suez

- Commenced Spot operation in September 2006, with 2 vessels followed by an future expansion plan

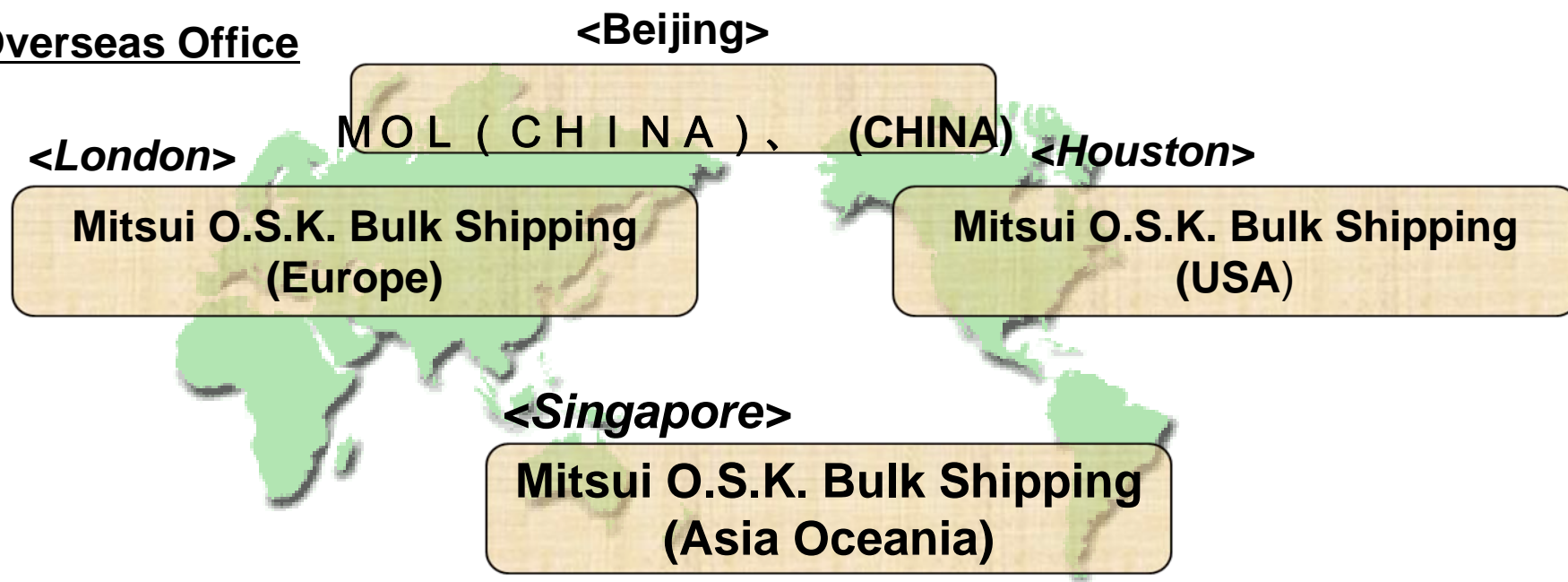
end 2007	end 2008	end 2009	end 2010
3-4	3-4	7-8	10-11

- Modern Fleet less than 20 years-old serves spot V/C and COA.
- Serving quality and customer-oriented operation in East.

Organization

- Overseas & Group companies

Overseas Office



Group Companies

Tokyo Marine
(Chemical Tanker)

Asahi Tanker
(Product Tanker)

South Eastern Oil
(Bunker barge owner)

APPENDIX N-1

Application to IRS For Tax Exempt Status

O'MELVENY & MYERS LLP

CENTURY CITY
NEWPORT BEACH
NEW YORK
SAN FRANCISCO
WASHINGTON, D.C.

400 South Hope Street
Los Angeles, California 90071-2899

TELEPHONE (213) 430-6000
FACSIMILE (213) 430-6407
INTERNET: www.omm.com

HONG KONG
LONDON
SHANGHAI
TOKYO

November 19, 1999

OUR FILE NUMBER
11,148-001

WRITER'S DIRECT DIAL
213-430-7402

WRITER'S E-MAIL ADDRESS
tgibbs@omm.com

Internal Revenue Service
Assistant Chief Counsel
Financial Institutions & Products
1111 Constitution Avenue, N.W.
Washington, D.C. 20224

Attn: CC:DOM:CORP:TSS, Room 6561

Re: Alaska Gasline Port Authority

Ladies and Gentlemen:

This letter ruling request is respectfully submitted on behalf of the Alaska Gasline Port Authority (the "Authority" or the "Alaska Gasline Port Authority").

In brief, a ruling is requested to the effect that, under the facts set forth herein, the Authority is a political subdivision of the State of Alaska (the "State"), and therefore, the Authority's income is exempt from federal income taxation.

Section I of this request outlines certain facts relating to the organization, operation and purpose of the Authority. Section II sets forth the specific ruling requested. Section III summarizes the authorities supporting such a ruling, analyzes their application to the relevant facts and sets forth the conclusion of that analysis. Section IV discusses certain taxpayer information and procedural matters.

By a separate letter attached hereto, the Authority is requesting expeditious handling of this request pursuant to Section 8.02(4) of *Revenue Procedure 99-1*.

ALASKA GASLINE PORT AUTHORITY LETTER RULING REQUEST

I STATEMENT OF FACTS

A. Information About the Authority

1. Creation and Legal Status of the Authority

The Authority is a port authority, which was established on October 5, 1999, in accordance with the Municipal Port Authority Act¹ of the Alaska Statutes (the "Act"). Pursuant to Section 29.35.605 of the Act,² the Fairbanks North Star Borough, the North Slope Borough and the City of Valdez (each an "Original Municipality") adopted parallel ordinances³ (each an "Ordinance," and together the "Ordinances") creating the Authority. Each of the Ordinances was approved by the respective voters of each Original Municipality on October 5, 1999. The Authority has been created pursuant to each of the Original Municipality's transportation system powers.⁴

2. Purpose of the Authority

The primary purpose of an authority created pursuant to the Act is to provide for the development of ports for transportation-related commerce.⁵ In accordance with this purpose and the State's constitutional mandate to utilize, develop and conserve its natural resources for the maximum benefit of its people,⁶ the Authority will undertake various improvements and additions to certain existing port facilities located, and will construct new port facilities to be located, at the Port of Valdez, Alaska, and acquire and develop the facilities necessary for the transportation, in state use, and sale of natural gas that is stranded on the North Slope of the State (the "Project"). See map attached hereto as Exhibit F.

3. Powers of the Authority

a. In General. The Authority has the power to acquire, by purchase, lease, contribution, condemnation or otherwise, real and personal property for the Project, and to construct, improve, maintain and operate, or to cause to be constructed, improved, maintained and operated, all or part of the Project.⁷

¹ ALASKA STAT. §§ 29.35.600 to 29.35.730. The Act is attached hereto as Exhibit D.

² ALASKA STAT. § 29.35.605(a)(2).

³ Fairbanks North Star Borough, Alaska, Ordinance, 99-059 (August 12, 1999) (attached hereto as Exhibit A); North Slope Borough, Alaska, Ordinance, 99-06 (August 3, 1999) (attached hereto as Exhibit B); Valdez, Alaska, Ordinance, 99-11 (July 19, 1999) (attached hereto as Exhibit C).

⁴ ALASKA STAT. § 29.35.605(d).

⁵ ALASKA STAT. § 29.35.600.

⁶ ALASKA CONST. art. VIII, § 2.

⁷ Ordinances, § 6.

b. **Eminent Domain.** The Authority is authorized to exercise the powers of eminent domain and declaration of taking to the same extent as such powers exists in the Participating Municipalities (as defined herein). Specifically, the Ordinances provide that the Authority may "exercise the powers of eminent domain and declaration of taking within its physical boundaries under [Section 29.35.030 of the Alaska Statutes] to acquire land or materials for [A]uthority purposes."⁸

c. **Additional Powers.** Additionally, the Authority is expressly authorized, in its own name, to do all acts necessary or convenient for the exercise of its power to achieve its purpose, including, but not limited to:

1. sue and be sued;
2. have a seal and alter it at pleasure;
3. acquire an interest in a project as necessary or appropriate to provide financing for the project, whether by purchase, gift or lease;
4. lease to others a project acquired by it upon the terms and conditions the Authority considers advisable, including, without limitation, provisions for purchase or renewal;
5. sell, by installment sale or otherwise, exchange, donate, convey or encumber in any manner by mortgage or by creation of another security interest, real or personal property owned by it, or in which it has an interest, including a project, when, in the judgment of the Authority, the action is in furtherance of its purpose;
6. accept gifts, grants or loans, under the terms and conditions imposed under the gift, grant or loan, and enter into contracts, conveyances or other transactions with a federal agency or an agency or instrumentality of the State, a municipality, private organization or other person;
7. deposit or invest its funds, subject to agreements with bondholders;
8. purchase or insure loans to finance the costs of projects;
9. provide for security within the boundaries of the Authority;

⁸ *Id.* The boundaries of the Authority are coterminous with the boundaries of the Participating Municipalities. Ordinances, § 3.

Section 29.35.030 of the Alaska Statute provides municipalities with the power of eminent domain. The extent of the Participating Municipalities' and the Authority's eminent domain powers is set forth in Section 09.55.250 of the Alaska Statutes, which is attached hereto as Exhibit E.

10. enter into loan agreements with respect to one or more projects upon the terms and conditions the Authority considers advisable;
11. acquire, manage and operate projects as the Authority considers necessary or appropriate to serve its purposes;
12. assist private lenders to make loans to finance the costs of projects through loan commitments, short-term financing or otherwise;
13. charge fees or other forms of remuneration for the use or possession of projects;
14. defend and indemnify a current or former member of the Board (as defined herein), employee or agent of the Authority against all costs, expenses, judgments and liabilities, including attorney fees, incurred by or imposed upon that person in connection with civil or criminal action in which the person is involved as a result of the person's affiliation with the Authority if the person acted in good faith on behalf of the Authority and within the scope of the person's official duties and powers;
15. purchase insurance to protect and hold harmless its employees, agents and Board members from any action, claim or proceeding arising out of the performance, purported performance or failure to perform in good faith, of duties for, or employment with, the Authority and to hold them harmless from expenses connected with the defense, settlement or monetary judgments from that action, claim or proceeding; and
16. protect its assets, services, and employees by purchasing insurance or providing for certain self-insurance retentions.⁹

4. Membership in the Authority

The Authority's members currently consist of the Fairbanks North Star Borough, the North Slope Borough and the City of Valdez, each a political subdivision of the State. Additional municipalities may join and become members of the Authority at a later date. The Fairbanks North Star Borough, the North Slope Borough and the City of Valdez, together with all municipalities that join the Authority prior to December 31, 1999, are hereinafter referred to as the "Original Municipalities." The Original Municipalities together with the municipalities that join the Authority after December 31, 1999, are hereinafter collectively referred to as the "Participating Municipalities."¹⁰

⁹ Ordinances, § 6.

¹⁰ Ordinances, § 5.

O'MELVENY & MYERS LLP

Assistant Chief Counsel, Financial Institutions & Products, November 19, 1999 - Page 5

Prior to becoming a member in the Authority, the governing body of each existing Participating Municipality and the governing body of the new Participating Municipality must adopt parallel ordinances.¹¹ Pursuant to the Act, all municipalities that become members of the Authority must be political subdivisions of the State.¹²

5. Governance of the Authority

A governing board (the "Board") exercises the powers of the Authority.¹³ The Board is comprised of three members selected by each of the Original Municipalities. Board members were appointed by their respective municipalities; each serves a four-year term. The Original Municipalities selected their representatives pursuant to their own respective local procedures.

Each Board member must be a registered voter residing within the State and serves on the Board solely in his individual capacity at the pleasure of the governing body of the Original Municipality by which the member was appointed. A majority of the Board members constitutes a quorum of the Board for the transaction of business. A majority of Board members present at a meeting at which a quorum is present may act on behalf of the Board.¹⁴

6. Revenues of the Authority

The Authority's revenues will be derived primarily from the sale of natural gas to municipalities within the State and to other purchasers, which are expected to include governmental and private domestic and foreign entities. The Authority's revenues will be used first generally to pay operating expenses and debt service and to fund necessary reserves for operation of the Project. Any net income will be shared with the State and all its municipalities as described below for use in their respective governmental purposes.¹⁵ The funds will be distributed to the general funds of the State and each of the municipalities within the State in accordance with the following formula set forth in the Ordinances¹⁶:

1. Payment in Lieu of Tax. Each municipality that has Project facilities within its jurisdiction will receive a payment in lieu of tax to compensate the municipality for property taxes it would have received if the Authority were not tax exempt under the laws of the State. Such payment will be equal to 2 percent of the original cost of construction of the Project facility within its jurisdiction plus any subsequent capital costs added to the facilities within its jurisdiction.

2. Remaining Distribution. The remaining net income, if any, will be distributed as follows:

¹¹ ALASKA STAT. § 29.35.605(b); Ordinances, § 5.

¹² ALASKA STAT. § 29.35.605.

¹³ Ordinances, § 7.

¹⁴ By-laws of the Alaska Gasline Port Authority, art. 3, § 9 (August 11, 1999) (attached hereto as Exhibit G).

¹⁵ Ordinances, § 17.

¹⁶ Ordinances, § 17.

O'MELVENY & MYERS LLP

Assistant Chief Counsel, Financial Institutions & Products, November 19, 1999 - Page 6

- a. Sixty percent to the State.
- b. Thirty percent to all municipalities within the State. A municipality's share will be calculated based on its population or, if it is a municipality within a borough, the ratio of its operating budget to the operating fund of the borough. Each municipality will receive a minimum annual payment of \$50,000.
- c. Ten percent equally to the Original Municipalities.

7. Dissolution of the Authority

Upon dissolution of the Authority, all of its assets remaining after its debt is retired will be distributed to all the Participating Municipalities in proportion to their respective investment in the Authority at that time.¹⁷ Such proportion will be calculated "in proportion to the difference between their contributions to the [A]uthority and any outstanding debt or obligation of that municipality to the [A]uthority, provided that any obligation to bondholders then outstanding shall first be satisfied in full."¹⁸

B. Information About the Project

Approximately 35 trillion cubic feet of natural gas remains stranded on the North Slope of the State (the "Gas"). The Gas is not being commercially produced but is instead being used solely for purposes of reinjection into the ground, a process that facilitates the recovery of crude oil. While the Gas is stranded on the North Slope it is not available to the residents of the State without an 800-mile pipeline from the North Slope to Valdez.

Due to the State's small population, the in-state natural gas consumption alone could not financially support the Project. Therefore, a consequence of making the Gas available for use by Alaska residents is that excess Gas will be available for other uses. Accordingly, the Authority intends to provide facilities to condition the Gas in excess of Alaska's anticipated in-state use for export.

1. Benefits of the Project

The Project will help the State's residents to reduce their heating and electrical bills. Alaska has one of the nation's harshest climates and, therefore, a corresponding high cost of heating. This Project will enable the State's residents who are currently heating their homes with wood, coal or diesel fuel to use the State's own Gas for heating and power generation. Alaska residents also have among the highest, if not the highest, electric rates in the nation. The cost of electricity will be substantially reduced as a result of the availability of the Gas through this Project.

¹⁷ Ordinances, § 16. Cf. Ordinances, § 4.
¹⁸ ALASKA STAT. § 29.35.610(b).

O'MELVENY & MYERS LLP

Assistant Chief Counsel, Financial Institutions & Products, November 19, 1999 - Page 7

Further, oil production has been a vital resource in the development of the State and its municipalities. For many years, the State has relied heavily on the production of oil to foster its livelihood, to provide opportunities and employment for its citizens and to generate revenue to ensure future prosperity. In recent years, however, lower oil prices, reduced production and potential field depletion have greatly affected the State's ability to generate revenues and provide a secure future for its citizens. This Project will generate much-needed revenues for the State, provide employment for its citizens and generally provide the State with the financial resources to prosper in the next century.

The benefits of the Project to the State and its residents are clear. Nevertheless, the obstacles to building the pipeline have been staggering. For thirty years private interests have investigated ways to build a pipeline to transport the Gas from the North Slope to market, but the scope, cost and practical difficulties of building it have thus far been financially and practically infeasible. Thus, the Original Municipalities believe that only a public entity has the requisite power and resources to build the pipeline and credibly deliver the Gas for use by Alaska residents and other purchasers.

2. Description of the Project

The Project consists of the acquisition, creation and improvement of all facilities and infrastructure necessary or useful for the purchase, conditioning, transportation, storage and sale of the Gas. It will include the acquisition, construction, financing, installation and improvement of new and existing port facilities located at the Port of Valdez and any other necessary facility, including compression stations, pipelines, spur lines and plants for conditioning the Gas for transport by commercial carriers (such plants are technically referred to as LNG Facilities). The Authority will deliver a development plan, which requires approval by each Participating Municipality prior to the construction or acquisition of the Project.¹⁹

As part of the Project, the Authority will be responsible for acquiring the Gas and other related commodities, whether by purchase or other conveyance or by exercising its eminent domain power, as well as for acquiring all necessary permits, licenses and related rights necessary for the operation of the Project.

The Authority expects that the Project will be operated by a professional gasline operator pursuant to a management contract. The Authority expects and intends that any such contract will meet the requirements of *Revenue Procedure 97-13*.²⁰

3. Financing of the Project

To finance the Project, the Participating Municipalities may contribute or advance public funds, personnel, equipment or property to the Authority.²¹ Such advances may be subject to

¹⁹ Ordinances, § 15.

²⁰ Rev. Proc. 97-13, 1997-1 C.B. 632.

²¹ Ordinances, § 13.

O'MELVENY & MYERS LLP

Assistant Chief Counsel, Financial Institutions & Products, November 19, 1999 – Page 8

repayment in accordance with terms agreed upon at the time of the advance. As of the date hereof, the Original Municipalities have contributed funds to the Authority and there is no expectation that any such funds will be repaid in the future.

Additionally, the Authority is authorized to issue bonds or any other form of indebtedness to raise funds to finance the Project.²² Debt issued by the Authority may consist of senior as well as junior or subordinated debt. To the extent that the Authority issues debt, the debt instruments will require all parties to treat such instruments as debt for tax purposes. Further, all debt will have a noncontingent interest rate and will be due upon a fixed maturity date. The interest on and principal of any debt issued by the Authority will be due and payable in all events and failure to pay will be an event of default. Other than Participating Municipalities to the extent of their advances, any creditor of the Authority will be unrelated to the Authority and will possess customary creditor's rights; no such creditor will receive management rights as a direct result of lending money to the Authority. Finally, the Authority will have cash flow projections that reflect that there will be sufficient revenues to pay all debt, including subordinated debt.

The principal and interest on all debt issued by the Authority as well as the repayment of any advances will be payable exclusively from the income and receipts of, or other money derived from, the Project. Neither the State nor any of the Participating Municipalities will be liable for the debts, liabilities or obligations of the Authority.

II. RULINGS REQUESTED

The Authority requests a ruling that:

The Authority is a political subdivision of the State, whose income is exempt from federal income tax.

III. STATEMENT OF LAW AND ANALYSIS

Under the doctrine of intergovernmental tax immunity, "income earned by a . . . *political subdivision* of a state is generally not taxable in the absence of specific statutory authorization for taxing such income."²³ This doctrine ensures that the federal government does not impose taxes that would unduly burden the state in the performance of its functions.²⁴

For purposes of determining whether an entity qualifies for tax exemption under the doctrine of intergovernmental immunity, a "political subdivision" is defined as "any division of any State or local governmental unit which . . . has been delegated the right to exercise part of

²² Ordinances, § 11.

²³ Rev. Rul. 87-2, 1987-1 C.B. 18 (citing Rev. Rul. 71-131, 1971-1 C.B. 28) (emphasis added); see also Rev. Rul. 71-132, 1971-1 C.B. 29; Priv. Ltr. Rul. 88-20-030 (Feb. 16, 1988).

²⁴ Priv. Ltr. Rul. 88-20-030 (Feb. 16, 1988) (citing Rev. Rul. 71-131, 1971-1 C.B. 28; Rev. Rul. 71-132, 1971-1 C.B. 29).

O'MELVENY & MYERS LLP

Assistant Chief Counsel, Financial Institutions & Products, November 19, 1999 - Page 9

the sovereign power of the government."²⁵ In considering whether an entity is a political subdivision, a two-part analysis must be taken.

First, in order to be a political subdivision, the entity must be a division of a state or local government (*i.e.*, the entity have close ties with a state or local government).²⁶ This determination is generally based upon all of the facts and circumstances.²⁷ Of particular importance are (1) the extent to which there is governmental control of the entity and (2) whether the entity has a public purpose.²⁸ In the case at hand, the Authority is governmentally controlled as it is managed by a governing board that is appointed by the Original Municipalities, and all of the Authority's assets and net revenues inure to the benefit of the State and its municipalities. Also, the Authority was established for the public purpose of promoting the development of the State's valuable natural resources, which would otherwise lie dormant but for public involvement. Such resource development will provide an alternative, more efficient fuel source to the citizens of the State, provide additional employment within the State and raise revenue for the State and its municipalities.

Second, a political subdivision must have a grant of sovereign power by the state. The primary sovereign powers are: (1) the power to tax, (2) the power of eminent domain, and (3) the police power.²⁹ "It is not necessary that all three of these powers be delegated. However, possession of only an insubstantial amount of any or all sovereign powers is not sufficient."³⁰ In this case, the Authority has been delegated broad and substantial powers, including the power of eminent domain. Moreover, the Authority has been delegated the eminent domain power by the Participating Municipalities, as permitted by the Act, to the same extent that such power exists in such municipalities.

A. The Authority is a "Division" of the Participating Municipalities

To be considered a political subdivision, an entity must be a division of the state or local government. "All the facts and circumstances must be taken into consideration in determining whether an entity is a political subdivision, including the public purposes of the entity and its control by government."³¹ The more indicia of "close ties" between government and the entity, the more likely the entity is a political subdivision.³² The Authority is closely related to the State and local government: (1) the Authority's Board is appointed by the Original Municipalities; (2) the Authority's net revenues inure to the benefit of the State and its municipalities; (3) the

²⁵ Treas. Reg. § 1.103-1(b). In General Counsel Memorandum 36,994, the Internal Revenue Service concluded that the definition of "political subdivision" under Section 103 should be used to interpret other provisions of the Code involving political subdivisions. Gen. Couns. Mem. 36,994 (Feb. 3, 1977).

²⁶ See *Philadelphia Nat'l Bank v. United States*, 666 F.2d 834, 835 (3d Cir. 1981).

²⁷ Rev. Rul. 77-174, 1977-1 C.B. 414; Gen. Couns. Mem. 37,629 (July 31, 1978).

²⁸ Rev. Rul. 77-174, 1977-1 C.B. 414.

²⁹ Estate of Shamburg, 3 T.C. 131 (1944), *acq.*, 1945 C.B. 6, *aff'd*, 144 F.2d 998 (2d Cir. 1944).

³⁰ See, e.g., *Texas Learning Tech. Group v. Commissioner*, 958 F.2d 122, 124 (5th Cir. 1992) (citing 30 Op. Atty. Gen. 252); Rev. Rul. 77-164, 1977-1 C.B. 20.

³¹ Rev. Rul. 77-164, 1977-1 C.B. 20.

³² See *Philadelphia Nat'l Bank*, 666 F.2d at 835.

O'MELVENY & MYERS LLP

Assistant Chief Counsel, Financial Institutions & Products, November 19, 1999 - Page 10

Authority's assets will be distributed to the Participating Municipalities upon dissolution; and (4) the Authority is fulfilling a public purpose.

1. The Authority is Government Controlled

Control by the government is an important factor in determining whether an entity is a political subdivision. Rulings by the Internal Revenue Service (the "Service") have pointed to two indicia of governmental control: (1) whether the governing board of the entity is controlled by government and (2) whether the entity's revenue and assets inure to a public entity.

a. The Authority is Controlled by a Government-Appointed Governing Board

Public control via a government-appointed board indicates that an entity is a political subdivision.³³ There are several instances where the courts and the Service have determined that an entity is a political subdivision where the governing body of the entity is appointed by government or elected by the public.³⁴

In *Revenue Ruling 83-131*,³⁵ for example, the Service ruled that electric and telephone membership corporations, which had eminent domain power, were not political subdivisions because they were "not controlled directly or indirectly by a state or local government."³⁶ Instead, "the business and affairs of the corporations [were] controlled by a board of directors that [was] independent of such authority."³⁷ Accordingly, the membership corporations did not have close enough ties with government to be political subdivisions.

By contrast, the Authority is managed by a Governing Board that is entirely governmentally appointed. Each Original Municipality appoints three members to the Board. Each member of the Board shall "serve at the pleasure of the governing body of the Original Municipality by whom such member was appointed."³⁸ Moreover, any member "may be terminated at any time by a majority vote of the governing body of such Original Municipality which appointed such member."³⁹

³³ See *id.*; Rev. Rul. 83-131, 1983-2 C.B. 184. Cf. Rev. Rul. 77-164, 1977-1 C.B. 20.

In *Philadelphia Nat'l Bank* the court specifically noted that the majority of the entity's board was made up of private individuals, who were elected by the entity's board. The state only appointed a minority of the board members. See *Philadelphia Nat'l Bank*, 666 F.2d at 838.

³⁴ See, e.g., *Commissioner v. Shamberg*, 144 F.2d at 998, 1000 (2d Cir. 1944); *Commissioner v. White*, 144 F.2d 1019, 1020 (2d Cir. 1944); Priv. Ltr. Rul. 84-05-007 (Oct. 26, 1983); Priv. Ltr. Rul. 88-09-038 (Dec. 3, 1987); Priv. Ltr. Rul. 93-27-072 (April 12, 1993).

³⁵ Rev. Rul. 83-131, 1983-2 C.B. 184.

³⁶ *Id.*

³⁷ *Id.*

³⁸ Ordinances, § 7.

³⁹ *Id.*

b. **The Authority's Assets and Net Revenues Inure to the Benefit of the State and its Municipalities**

Another strong indicator that an entity is a "division" of a State or local government is the fact that the entity's assets and net revenue inure to the public benefit. For instance, a hospital district possessing only the power to tax was a political subdivision since no private individual or organization would benefit from the dissolution of the entity; the revenue and assets were to inure solely to the public benefit.⁴⁰

Here, the Authority will distribute its revenue only to the State and its municipalities.⁴¹ Generally, net revenues will be distributed sixty percent to the State, thirty percent to all municipalities in Alaska and ten percent to the Original Municipalities.

Furthermore, if the Authority is dissolved, the Act and Ordinances mandate that the Authority's assets are to be distributed to all Participating Municipalities.⁴² The assets will be distributed to the Participating Municipalities "in proportion to the difference between their contributions to the authority and any outstanding debt or obligation of that municipality to the [A]uthority."⁴³ Under no circumstances will private persons or entities receive asset distributions from the dissolution of the Authority.

2. **The Authority is Fulfilling a Public Purpose**

Whether an entity is serving a public purpose is also important in the determination of whether the entity has close ties with, or is a division of, the state or local government. The courts and the Service have given the term "public purpose" a broad interpretation. Not only has it included such traditional public purposes as education⁴⁴ and transportation⁴⁵ but also county humane societies with the purpose of preventing cruelty to children and animals,⁴⁶ utilities,⁴⁷ conservation and preservation of natural resources,⁴⁸ community development,⁴⁹ and even off-track betting⁵⁰ and the operation of liquor stores.⁵¹ In fact, we did not find a single opinion or

⁴⁰ Priv. Ltr. Rul. 88-20-030 (Feb. 16, 1988). The district argued that it also had the power of eminent domain, but the Service concluded that the district's power was too insubstantial since its condemnation decisions were subject to state approval. *Id.*; see also Priv. Ltr. Rul. 88-09-038 (Dec. 3, 1987); Priv. Ltr. Rul. 93-27-072 (April 12, 1993).

⁴¹ Ordinances, § 17.

⁴² Ordinances, § 16; ALASKA STAT. § 29.35.610.

⁴³ ALASKA STAT. § 29.35.610.

⁴⁴ *Michigan v. United States*, 40 F.3d 817, 819-20 (6th Cir. 1994); *Texas Learning*, 958 F.2d at 122.

⁴⁵ *Shamberg*, 144 F.2d at 999-1002; *White*, 144 F.2d at 119-20; Gen. Couns. Mem. 37,637 (1978).

⁴⁶ Gen. Couns. Mem. 38,713 (May 5, 1981).

⁴⁷ Gen. Couns. Mem. 37,629 (July 31, 1978); Gen. Couns. Mem. 37,771 (Nov. 30, 1978).

⁴⁸ Rev. Rul. 68-444, 1968-2 C.B. 430; Rev. Rul. 59-37, 1959-1 C.B. 384; Gen. Couns. Mem. 33,808 (April 29, 1968).

⁴⁹ Rev. Rul. 77-164, 1977-1 C.B. 20; Gen. Couns. Mem. 33,556 (July 8, 1967).

⁵⁰ Rev. Rul. 78-138, 1978-1 C.B. 314.

⁵¹ Rev. Rul. 71-131, 1971-1 C.B. 28.

O'MELVENY & MYERS LLP

Assistant Chief Counsel, Financial Institutions & Products, November 19, 1999 – Page 12

ruling where a court or the Service found that an entity was not a political subdivision based on an insufficient public purpose.

The Authority serves many of the above-mentioned purposes. Its primary function involves an exercise of the transportation powers of municipalities within the State. The public functions furthered by the exercise of those powers include the provision of natural gas for the use by its citizens, the development and preservation of the natural resources of the State, the development of jobs and commerce within the State and the raising of revenue to serve the general needs of the State, its municipalities and its citizens. Accordingly, the Authority's public purpose supports a determination that it is a political subdivision.

B. The Authority is a Political Subdivision as it Possesses a Substantial Amount of the Sovereign Power of Eminent Domain

1. The Power of Eminent Domain Is Sufficient

To be classified as a political subdivision, an entity must be authorized to exercise part of the sovereign powers of the government.⁵² There are three primary sovereign powers—the power to tax, the power of eminent domain and the police power; an entity need not possess all such powers to be a political subdivision.⁵³ In fact, possession of only one or two of these powers is sufficient as long as such powers are not insubstantial.⁵⁴

The seminal case that established the requirements for political subdivision status, *Commissioner v. Estate of Shamberg*,⁵⁵ also involved a port authority. In *Shamberg*, the court held that the Port of New York Authority (the "Port of New York") was a political subdivision because it possessed more than an insubstantial amount of the sovereign powers.⁵⁶

In *Shamberg* the Port of New York was established pursuant to a compact between the State of New York and the State of New Jersey and was vested with (i) all of the powers

⁵² *Shamberg*, 144 F.2d at 1005.

⁵³ *Id.*

⁵⁴ *Texas Learning*, 958 F.2d at 124 (citing 30 Op. Atty. Gen. 252); Rev. Rul. 77-164, 1977-1 C.B. 20. Three generally acknowledged sovereign powers of states are the powers to tax, the power of eminent domain, and the police power. . . . It is not necessary that all three of these powers be delegated. However, possession of only an insubstantial amount of any or all sovereign powers is not sufficient. All of the facts and circumstances must be taken into consideration, including the public purposes of the entity and its control by a government.

Id. (citations omitted).

⁵⁵ 144 F.2d 998 (2d Cir. 1944). Although decided under the statutory predecessor to section 103, *Shamberg* is still consistently cited as authority in this area. See *Texas Learning*, 958 F.2d at 125; *Michigan v. United States*, 40 F.3d 817, 824 (6th Cir. 1994); *Philadelphia Nat'l Bank*, 666 F.2d at 837 ("There is surprisingly little decisional law on what constitutes a political subdivision within the meaning of § 103. The Supreme Court has never addressed the issue, and the leading—and almost only—cases on point were decided by the Court of Appeals for the Second Cir.); *Commissioner v. Estate of White*, 144 F.2d 1019 (2d Cir. 1944).

⁵⁶ *Shamberg*, 144 F.2d at 1004; see also Rev. Rul. 77-164, 1977-1 C.B. 20.

O'MELVENY & MYERS LLP

Assistant Chief Counsel, Financial Institutions & Products, November 19, 1999 – Page 13

necessary to acquire and construct its projects;⁵⁷ (ii) the power to make and enforce the rules and regulations it deemed convenient for the operation of the bridges and tunnels it operates and to maintain a uniformed police force and (iii) the power of eminent domain. The Port of New York could only exercise its police power with the consent of the State, and rules and regulations made by the port authority were effective only if the legislatures of both states concurred. Nevertheless, the court held that the Port of New York was a political subdivision since it was not necessary that the Port of New York exercise all the functions of the state; it was sufficient that the Port only exercise a portion of those functions.⁵⁸

In relying on *Shamberg*, both the courts and the Service have consistently held that entities that possess but one of the three primary sovereign powers (e.g., the power of eminent domain) are political subdivisions so long as that power is more than insubstantial.⁵⁹ The House Ways and Means Committee stated: "an entity is a political subdivision . . . if it has more than an insubstantial amount of *one or more* of . . . the power to tax, the power of eminent domain, and the police power."⁶⁰

2. The Authority Possesses a Substantial Amount of Eminent Domain Power

The determination whether an entity possesses more than an insubstantial amount of sovereign power turns primarily on the extent to which the entity's power is similar to that of other governmental units within the state. As outlined below, the evaluation turns on (1) the extent to which such power rests with the entity that purports to be a political subdivision, as opposed to some other governmental unit or entity, and (2) the extent to which the entity's

⁵⁷ Specifically, under the compact the Port of New York was granted with the power to purchase, construct, lease and/or operate the terminal; to make charges for the use thereof; to own, hold, lease and/or operate real or personal property; to borrow money and secure the same by bond or by mortgages; and to make rules and regulations relating to navigation and commerce. *Shamberg*, 144 F.2d at 999-1001.

⁵⁸ *Id.* at 1004.

⁵⁹ Rev. Rul. 61-181, 1961-2 C.B. 21; Rev. Rul. 77-143, 1977-1 C.B. 340; Priv. Ltr. Rul. 77-52-065 (Sept. 29, 1977); Priv. Ltr. Rul. 78-07-069 (Nov. 18, 1977); Priv. Ltr. Rul. 84-05-007 (Oct. 26, 1984); Priv. Ltr. Rul. 89-09-038 (Dec. 3, 1987); Priv. Ltr. Rul. 88-20-030 (Feb. 16, 1988); Priv. Ltr. Rul. 93-27-072 (April 12, 1993); Priv. Ltr. Rul. 97-25-038 (March 25, 1997); Priv. Ltr. Rul. 97-30-001 (Oct. 4, 1997).

The Service has maintained that this is a facts-and-circumstances decision. Accordingly, the Service has been reluctant to state categorically that only one sovereign power is necessary. Gen. Couns. Mem. 36,994 (Feb. 3, 1977). The Service has a two-fold concern. First, a political subdivision must have close ties with the state or local government; a private company serving some public functions is not a political subdivision, even if it has certain sovereign powers. See Gen. Couns. Mem. 37,629 (July 31, 1978); see also Rev. Rul. 83-131, 1983-2 C.B. 184 (holding that electric and telephone membership corporations were not political subdivisions because they were not controlled by government). Second, an entity must possess a sufficient quantity of a sovereign power; the powers must be more than insubstantial in their effect as well as in their amount. Gen. Couns. Mem. 36,994 (Feb. 3, 1977).

The Authority has close ties to the State and the Participating Municipalities. It is governed by the Participating Municipalities; its net revenues inure to the State and its municipalities; its assets will be distributed to the Participating Municipalities upon dissolution; and it serves an important public purpose. The Authority also has more than an insubstantial amount of the eminent domain power; indeed, the Authority's eminent domain power is substantial in its effect and its amount.

⁶⁰ Committee Report on P.L. 99-514 (Tax Reform Act of 1986) (emphasis added).

O'MELVENY & MYERS LLP

Assistant Chief Counsel, Financial Institutions & Products, November 19, 1999 - Page 14

sovereign power is similar substantively and procedurally to that of other governmental units within the state, including that of the governmental unit or units that created the entity.

a. The Power of Eminent Domain Rests with the Authority

In *Revenue Ruling 78-138*,⁶¹ the Service ruled that the determination of whether an entity possesses more than an insubstantial amount of one of the primary sovereign powers turns on whether the entity possesses the sovereign power in its own right. In *Revenue Ruling 78-138*, a corporation was established to operate an off-track betting system, which was designed to raise revenue and curb illegal bookmaking. The corporation possessed certain regulatory powers and it had the power of eminent domain; however, state law restricted its condemnation power by requiring the corporation to obtain the approval of the local chief elected official where the property was located. The Service held that for purposes of determining whether an entity possesses more than an insubstantial amount of sovereign power the "critical inquiry is not whether the power is restricted, but *with whom the actual power rests*."⁶² Consequently, the Service ruled that the corporation was a political subdivision because it possessed substantial, albeit restricted, powers of eminent domain and regulation in its own right.⁶³

Likewise, in similar situations the Service has determined that an entity possessing only the power of eminent domain will constitute a political subdivision if the entity can "exercise the condemnation power in its own right and by itself, and thereafter hold the acquired property in its own title."⁶⁴

Where the entity does not possess the eminent domain power in its own right, the entity may not be a political subdivision, absent possession of more than an insubstantial amount of one of the other primary sovereign powers. For example, in *Philadelphia National Bank v. United States*⁶⁵ the court held that Temple University, a state university, was not a political subdivision because the university was required to obtain approval from the state to erect new facilities:

When it wishes to erect additional facilities, the university must request the General State Authority to procure the property. The power to condemn selected property is vested in the Authority, and the fact that it has cooperated with the university by accepting and implementing its suggestions does not constitute a grant of sovereign power to Temple.⁶⁶

⁶¹ Rev. Rul. 78-138, 178-1 C.B. 314.

⁶² *Id.* (emphasis added).

⁶³ *Id.* (emphasis added).

⁶⁴ Priv. Ltr. Rul. 84-05-007 (Oct. 26, 1983).

⁶⁵ 666 F.2d 834 (3d Cir. 1981).

⁶⁶ *Id.* at 840.

O'MELVENY & MYERS LLP

Assistant Chief Counsel, Financial Institutions & Products, November 19, 1999 – Page 15

Although the state had cooperated with the university and had implemented the university's suggestions, the university was not a political subdivision because it did not possess a sovereign power in its own right.⁶⁷

The Alaska Gasline Port Authority is authorized to exercise the power of eminent domain and declaration of taking. The Authority does not need to seek the approval of any of the Participating Municipalities prior to exercising its eminent domain power. Section 6 of the Ordinances provides that:

The Authority is authorized, in its own name, to do all acts necessary or convenient for the exercise of said power for said purposes, including but not limited to . . . exercise the powers of eminent domain and declaration of taking within its physical boundaries . . . to acquire land or materials for authority purposes.⁶⁸

Moreover, the Authority is vested with eminent domain powers to the same extent that such powers exist in the Participating Municipalities.⁶⁹ Finally, upon the exercise of its power, the Authority will hold all property in its own name.⁷⁰ Thus, the Authority possesses full eminent domain power.

b. The Authority's Eminent Domain Power Is Identical Both Procedurally and Substantively to that of the Participating Municipalities

The scope of an entity's sovereign power and the procedures by which the entity must exercise that power has also been considered by the Service. For example, the Service has decided that health-care authorities, which had only eminent domain power,⁷¹ were political subdivisions because the entity "[had] the same power of eminent domain as [was] vested by law in any authorizing subdivision."⁷² Moreover, the Service has determined that a water district, possessing only the power of eminent domain, was a political subdivision because it could (1) commence condemnation actions in state court to enforce the right and (2) take possession of the property upon commencement of the proceedings, rather than after judgment.

⁶⁷ *Id.*

⁶⁸ Ordinances, § 6.

⁶⁹ ALASKA STAT. § 29.35.030.

⁷⁰ Section 6 of the Ordinances provides that: "The Authority shall have the power to acquire, by purchase, lease, contribution, condemnation, or otherwise, real property and personal property for the Project . . ."

Ordinances, § 6.

⁷¹ Priv. Ltr. Rul. 97-30-001 (Oct. 4, 1996). The eminent domain power of the health-care authorities was subject to a minor restriction: the authorities could not exercise their eminent domain power to provide "office facilities for the private practice of a health care professional." *Id.* Nevertheless, the Service determined that this power alone was sufficiently substantial to qualify the authorities as political subdivisions. *Id.*

⁷² *Id.*

In the present case, the Act and the Ordinances empower the Authority with full eminent domain power—the exact power that is vested in the Participating Municipalities and other municipalities within the state.⁷³ Moreover, the Authority is authorized by the Act and Ordinances to commence actions in its own name in Alaska superior court⁷⁴ and to take possession of the property upon commencement of the proceedings.⁷⁵

In sum, the Authority's broad eminent domain power is sufficient to qualify it as a political subdivision. First, the Authority can exercise condemnation power in its own right and by itself and can hold title to condemned property in its own name. Second, the Authority's power mirrors the eminent domain power of the Participating Municipalities. Third, the Authority can commence actions in state court to enforce its condemnation right and can take possession of the property upon commencement of the proceedings. Based on the Service's past positions, the such a grant of eminent domain power mandates that the Authority be treated as a political subdivision of the State.

C. Conclusion

For the reasons set forth above, we respectfully request that the Service issue a letter ruling that the Authority is a political subdivision of the State, whose income is exempt from federal income tax.

IV. TAXPAYER INFORMATION AND PROCEDURAL MATTERS

A. Names, Addresses, Telephone Numbers of All Interested Parties

Alaska Gasline Port Authority
c/o William M. Walker
550 West 7th Avenue
Suite 1850
Anchorage, Alaska 99501
(907) 278-7000

City of Valdez
c/o Dave Cobb, Mayor
P.O. Box 307
Valdez, Alaska 99686
(907) 835-4313

⁷³ The Act and Ordinances, each of which empower the Authority with eminent domain power, refer to Section 29 35.030 of the Alaska statutes, which is the source of eminent domain power for the Alaskan cities and boroughs. ALASKA STAT. § 29.35.030.

⁷⁴ ALASKA STAT. § 9.55.290.

⁷⁵ ALASKA STAT. § 9.55.380.

O'MELVENY & MYERS LLP

Assistant Chief Counsel, Financial Institutions & Products, November 19, 1999 – Page 17

Fairbanks North Star Borough
c/o Hank Hove, Mayor
P.O. Box 71267
Fairbanks, Alaska 99707
(907) 459-1304

North Slope Borough
c/o George Ahmaogak, Mayor
P.O. Box 69
Barrow, Alaska 99723
(907) 852-2611

B. Taxpayer Identification Number

The Authority's Taxpayer Identification Number is 92-0169762.

C. Annual Accounting Period and Overall Method of Accounting

Not applicable.

D. Applicable District Office

The district having audit jurisdiction over the Authority is the Pacific Northwest District.

E. Identical or Similar Issues

To the best of the knowledge of the Authority and the Fairbanks North Star Borough, the North Slope Borough and the City of Valdez (the "Current Members") and their respective authorized representatives:

- a. Issues identical or similar to those discussed in this letter ruling request are not in any earlier return of the Authority, the Current Members or any taxpayer related to the Authority or the Current Members;
- b. The Service has not previously ruled on identical or similar issues for the Authority, the Current Members or any taxpayer related to the Authority or the Current Members;
- c. Neither of the Authority nor the Current Members or any taxpayer related to the Authority or the Current Members has submitted a request involving issues identical or similar to those raised in this letter ruling request and withdrawn it before a ruling was issued;
- d. Neither of the Authority nor the Current Members or any taxpayer related to the Authority or the Current Members or any predecessor of the

Authority or the Current Members has previously submitted a request involving identical or similar issues that is currently pending with the Service; and

- e. Neither of the Authority nor the Current Members or any taxpayer related to the Authority, the Current Members or any predecessor of the is submitting to the Service another request involving identical or similar issues.

F. Certainty of the Law

The law in connection with the request is relatively certain and has been adequately addressed by relevant authorities. Beyond the authorities discussed in this request, the Authority, the Current Members and their authorized representatives are not aware of authorities contrary to the positions advocated therein.

G. Deletions Required by Section 6110(c) of the Code

The Authority desires to have certain information deleted from any documents made available for public inspection. A deletions statement is attached as **Exhibit H**.

H. Power of Attorney

An Internal Revenue Service Form 2848, Power of Attorney and Declaration of Representative, has been completed with respect to the Authority and said form is attached as **Exhibit I**.

I. Penalty of Perjury Declaration

The declaration required by Section 601.201(e)(1) of the Treasury Regulations is attached as **Exhibit J**.

J. Additional Information

If you have any questions or need further information in order for you to rule as requested, please contact Travis C. Gibbs at (213) 430-7402.

K. Request for a Conference

The Authority respectfully requests a conference at the National Office to discuss the issues involved in this letter ruling request.

L. Checklist

The checklist required by *Revenue Procedure 99-1* is attached as **Exhibit K**.

O'MELVENY & MYERS LLP

Assistant Chief Counsel, Financial Institutions & Products, November 19, 1999 - Page 19

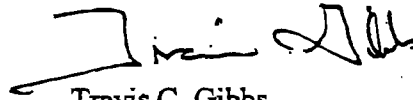
M. User Fee

Pursuant to Appendix A of *Revenue Procedure 99-1*, enclosed in a separate envelope is a check in the amount of \$5,000, payable to the Internal Revenue Service.

N. Facsimile Transmission

When a letter ruling is prepared, the Authority requests that an advance copy of the letter ruling be sent by facsimile transmission to Travis C. Gibbs; the fax number is (213) 430-6407. We agree to waive any disclosure violations resulting from the facsimile transmission.

Very truly yours,



Travis C. Gibbs
of O'MELVENY & MYERS LLP

TCG:mfn

LA3:889475.11

Internal Revenue Service

Department of the Treasury

Index Number: 103.02-01

Washington, DC 20224

Travis C. Gibbs
c/o O'Melveny & Myers LLP
400 South Hope Street
Los Angeles, California 90071-2899

Person to Contact:
David E. White I.D. #50-07793
Telephone Number:
(202) 622-3980
Refer Reply To:
CC:DOM:FI&P:5/PLR-118656-99
Date:

FEB 16 2000

FEB 4 2000

Dear Mr. Gibbs:

Attached is the corrected version of our letter in reply to your request for a ruling that the Authority qualifies as a political subdivision of the State under § 1.103-1(b) of the Income Tax Regulations, and is therefore exempt from federal income taxation. Please destroy the prior letter.

Sincerely yours,

Assistant Chief Counsel
(Financial Institutions & Products)

By


Timothy L. Jones

Assistant to the Chief, Branch 5

Internal Revenue Service

Department of the Treasury

Index Number 103 02-01

Washington, DC 20224

Travis C. Gibbs
c/o O'Melveny & Myers LLP
400 South Hope Street
Los Angeles, California 90071-2899

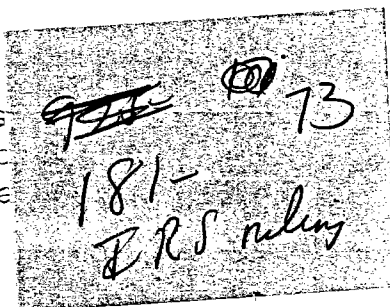
Person to Contact
David E. White I.D. #50-07793
Telephone Number:
(202)622-3980
Refer Reply To:
CC:DOM:FI&P:5/PLR-118656-99
Date: JAN 24 2000

LEGEND:

Authority = Alaska Gasline Port Authority
State = Alaska
Date 1 = October 5, 1999
A = Fairbanks North Star Borough
B = North Slope Borough
C = City of Valdez
Port = Port of Valdez, Alaska
Location = North Slope of Alaska

Dear Mr. Gibbs:

This letter is in response to your request for a ruling regarding the term "political subdivision" in the Alaska Gasline Port Authority. The Authority qualifies as a political subdivision of the State of Alaska.



that based on the definition of "political subdivision" in the Internal Revenue Code and the Regulations thereunder, the Alaska Gasline Port Authority qualifies as a political subdivision of the State of Alaska.

Facts and Representations

You make the following factual representations. The Authority was created on Date 1 pursuant to State law by the local governmental units A, B, and C. The Authority was created to provide for the development of ports in the State for transportation-related commerce. In accordance with this purpose, the Authority will

undertake various improvements and additions to certain existing port facilities located, and will construct new port facilities to be located, at the Port, and will acquire and develop the facilities necessary for the transportation, in state use, and sale of natural gas that is currently stranded at the Location (the "Project").

As a result of the availability of natural gas through the Project, the cost of electricity to the State's residents will be substantially reduced. Excess gas not used in-state will be available for other uses.

The Authority is governed by a board of directors appointed by its member governmental units A, B, and C. The Authority has the power to acquire, by purchase, lease, contribution, condemnation, or otherwise, real and personal property for the Project. State law provides that the Authority has the same power of eminent domain as that possessed by A, B, and C. Specifically, the Authority may commence eminent domain actions, in its own name, in the appropriate court of the State to acquire land or materials within its physical boundaries for Authority purposes, and may take possession of the property upon commencement of the proceedings.

The Authority's revenues will be derived primarily from the sale of natural gas to municipalities within the State and to other purchasers, which are expected to include governmental and private entities. These revenues will be used first generally to pay operating expenses and debt service and to fund necessary reserves for operation of the Project. Any net income will be shared with the State and all of its municipalities for use in their respective governmental purposes. Upon dissolution of the Authority, its assets will be distributed to its member governmental units.

In addition to contributions from the participating governmental units, the Authority is authorized to issue bonds or any other form of indebtedness to raise funds to finance the Project.

Law and Analysis

Section 103(a) of the Internal Revenue Code provides, in part, that except as provided in subsection (b), gross income does not include interest on any state or local bond. Section 103(c)(1) provides that the term "state or local bond" means an obligation of a state or political subdivision thereof.

Section 1.103-1(b) provides that the term "political subdivision" denotes any division of any state or local governmental unit that is a municipal corporation or that has been delegated the right to exercise part of the sovereign power of the unit. As thus defined, a political subdivision of any state or local governmental unit may or may not, for purposes of this section, include special assessment districts so created, such

as road, water, sewer, gas, light, reclamation, drainage, irrigation, levee, school, harbor, port improvement, and similar districts and divisions of these units. Rev. Rul. 78-276, 1978-2 C.B. 256, states that the term "political subdivision" has been defined consistently for all federal tax purposes as denoting either (1) a division of a state or local government that is a municipal corporation, or (2) a division of such state or local government that has been delegated the right to exercise sovereign power.

In determining whether an entity is a division of a state or local governmental unit, important considerations are the extent the entity is (1) controlled by the state or local government unit, and (2) motivated by a wholly public purpose. Revenue Ruling 83-131, 1983-2 C.B. 184.

The three generally acknowledged sovereign powers are the power to tax, the power of eminent domain, and the police power. See *Commissioner v. Estate of Alexander J. Shamburg*, 3 T.C. 131, (1944) acq., 1945 C.B. 6, *aff'd* 144 F.2d 998 (2d Cir. 1944), *cert. denied*, 323 U.S. 792 (1945). It is not necessary that all three powers enumerated in *Shamburg* be delegated. Rev. Rul. 77-164, 1977-1 C.B. 20; Rev. Rul. 77-165, 1977-1 C.B. 21. However, possession of only an insubstantial amount of any or all sovereign powers is not sufficient. All of the facts and circumstances must be taken into consideration including the public purposes of the entity and its control by a government.

Indicia that the Authority is governmentally controlled are: (1) the Authority is governed by a board of directors appointed by its member governmental units A, B, and C; (2) the Authority's net revenues inure to the benefit of the State and its municipalities; and (3) the Authority's assets will be distributed to its member governmental units upon dissolution. The Authority is motivated by a wholly public purpose.

Under State law the Authority is granted broad powers of eminent domain within its physical boundaries. The Authority is authorized to commence actions in the appropriate court of the State to enforce this right and will be able to take possession of property upon commencement of the condemnation proceedings rather than after judgment. These exercises of the power of eminent domain are commensurate with a substantial exercise of that power.

Conclusion

Based solely on the representations made and the definition of the term "political subdivision" in § 1.103-1(b), we conclude that the Authority is a political subdivision. Accordingly, the Authority is not required to file federal income tax returns or pay federal income tax on its income.

4

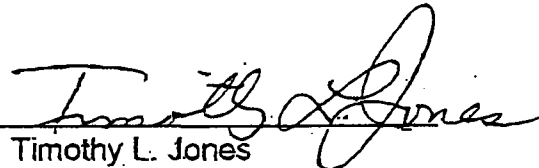
Except as specifically stated above, no opinion is expressed regarding the consequences of this transaction under any provision of the Code or regulations thereunder.

This ruling letter is directed only to the taxpayer who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

Sincerely yours,

Assistant Chief Counsel
(Financial Institutions & Products)

By:



Timothy L. Jones
Assistant to the Chief, Branch 5

Enclosure:

Copy of § 6110 purposes

cc: District Director, Pacific - Northwest District (Seattle)
Attn: Chief, Examination Division

Employee Plans & Exempt Organizations
Field Compliance Division
Attn: Joseph P. Grabowski, CP-E:EO:T:4
Room 6236

INDEX TO EXHIBITS

Exhibit A	Ordinance of Fairbanks North Star Borough
Exhibit B	Ordinance of North Slope Borough
Exhibit C	Ordinance of City of Valdez
Exhibit D	Municipal Port Authority Act
Exhibit E	Alaska Eminent Domain Statutes
Exhibit F	Map of the Project
Exhibit G	By-laws of the Alaska Gasline Port Authority
Exhibit H	Deletions Statement
Exhibit I	Power of Attorney and Declaration of Representative
Exhibit J	Declaration Under Penalties of Perjury
Exhibit K	<i>Revenue Procedure 99-1 Checklist</i>

By: Hank Hove, Mayor
Mike Young
Introduced: 07/22/99
Advanced: 07/22/99
Adopted: 08/12/99

ORDINANCE NO. 99-059

ORDINANCE OF THE FAIRBANKS NORTH STAR BOROUGH PROVIDING FOR THE CREATION OF THE ALASKA GASLINE PORT AUTHORITY PURSUANT TO THE MUNICIPAL PORT AUTHORITY ACT AS AUTHORIZED IN AS 29.35.600 ET SEQ.

WHEREAS, Article VIII, Section 1, Constitution of the State of Alaska, provides that it is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest; and

WHEREAS, development of Alaska's natural gas reserves is of critical importance to the financial well-being of the State of Alaska and of its citizens; and

WHEREAS, development of Alaska's natural gas reserves has been delayed for many years because of, among other things, the lack of a pipeline or other economically viable method for transporting natural gas to market. Private interests have been unable to finance or construct such a pipeline; and

WHEREAS, public ownership of a natural gas pipeline offers some advantages over private ownership. Income from pipeline operations would be exempt from federal income tax. Interest on bonds issued to finance pipeline construction would, to some extent, be exempt from federal income tax; and

WHEREAS, the seller of the gas must be an entity that can credibly deliver gas to the purchasers. No such entity currently exists. Private entities alone cannot finance or construct the pipeline on an economically viable basis; and

WHEREAS, Alaska law permits one or more municipalities to create a Port Authority that could credibly deliver natural gas to purchasers. The Port Authority would have the power to finance and construct the pipeline and related facilities, and to purchase and sell natural gas.

NOW, THEREFORE, BE IT ORDAINED by the Fairbanks North Star Borough Assembly as follows:

Section 1. Definitions.

Unless the context otherwise requires, the terms defined in this Section 1 shall for all purposes of this Ordinance have the meanings herein specified.

Act - The term "Act" shall mean the Municipal Port Authority Act, Alaska Statutes Section 29.35.600 et seq.

Authority - The term "Authority" shall mean the Alaska Gasline Port Authority created by this Ordinance.

Board - The term "Board" shall mean the governing board of the Authority.

Bonds - The term "Bonds" shall mean bonds or other obligations of the Authority authorized and issued pursuant to the Act, including each and all series of bonds, and shall also include, except where the context shall require otherwise, any other form of indebtedness of the Authority authorized, issued or incurred pursuant to the Act.

Bylaws - The term "Bylaws" means the bylaws of the Authority as adopted by the Board pursuant to the Act and Section 8 of this Ordinance.

Original Municipality: The term "Original Municipality" shall have the meaning given such term in Section 5 of this Ordinance.

Participating Municipality - The term "Participating Municipality" shall mean each Original Municipality and each municipality which joins and participates in the Authority as provided in the Act.

Project - The term "Project" shall mean the acquisition, construction, financing, installation and improvement of a port facility in the Port of Valdez, including associated and related facilities for the conditioning, transportation, liquefaction, storage and shipping of natural gas and other commodities to, at and from such facility. "Projects" shall include conditioning plants, compression stations, pipelines, spur lines, and liquefied natural gas facilities, and shall also include the acquisition and purchase of natural gas and related commodities (or rights thereto) and all permits, licenses and related rights necessary or convenient for the operation of any of the facilities described above.

Sponsor The term "Sponsor" shall mean each of the City of Valdez, the Fairbanks North Star Borough, North Slope Borough and the Municipality of Anchorage upon adoption by such municipality of this Ordinance or an ordinance parallel to this Ordinance, as appropriate.

State - The term "State" means the State of Alaska.

Section 2. Purpose; Boundaries.

This Ordinance is adopted pursuant to the Act to provide for the creation of the Authority as a port authority and public corporation of the Participating Municipalities.

The boundaries of the Authority shall be coterminous with the boundaries of the Participating Municipalities.

Section 3. Creation of Authority.

Upon approval of the voters of one or more of the Sponsors, there shall be created pursuant to the Act and this Ordinance a port authority to be known as the "Alaska Gasline Port Authority." As provided in the Act, the Authority shall be a public corporation separate and apart from the Participating Municipalities. The debts, liabilities and obligations of the Authority shall not constitute debts, liabilities or obligations of the Participating Municipalities.

Section 4. Term.

The Authority shall be established and come into existence upon the approval of the voters of any one or more of the Sponsors and shall continue in existence and effect until the later of (i) such time as the Bonds and the interest thereon shall have been paid in full, and (ii) dissolution of the Authority upon the vote of the Board.

Section 5. Participation of Municipalities.

Each Sponsor shall join and participate in the Authority upon (1) adoption of this Ordinance or an ordinance parallel to this Ordinance, as appropriate, and (2) either (a) approval of such ordinance by the voters of such municipality or (b) otherwise satisfying prior to December 31, 1999, the requirements set forth in the Act relating to joining a port authority. Only sponsors who join the Authority by December 31, 1999, shall be considered Original Municipalities.

Section 6. Power; Restriction Upon Exercise.

The Authority shall have the power to acquire, by purchase, lease, contribution, condemnation or otherwise, real property and personal property for the Project, and to construct and improve, or cause to be constructed and improved, and to maintain and operate all or part of the Project; subject, however to the conditions and restrictions heretofore and hereinafter in this Ordinance contained.

The Authority is authorized, in its own name, to do all acts necessary or convenient for the exercise of said power for said purposes, including but not limited to, any of the following:

1. sue and be sued;
2. have a seal and alter it at pleasure;
3. acquire an interest in a project as necessary or appropriate to provide financing for the project, whether by purchase, gift, or lease;
4. lease to others a project acquired by it and upon the terms and conditions the Authority may consider advisable, including, without limitation, provisions for purchase or renewal;
5. sell, by installment sale or otherwise, exchange, donate, convey, or encumber in any manner by mortgage or by creation of another security interest, real or personal property owned by it, or in which it has an interest, including a project, when, in the judgment of the Authority, the action is in furtherance of the Authority's purposes;
6. accept gifts, grants, or loans, under the terms and conditions imposed under the gift, grant, or loan, and enter into contracts, conveyances or other transactions with a federal agency or an agency or instrumentality of the state, a municipality, private organization, or other person;
7. deposit or invest its funds, subject to agreements with bondholders;
8. purchase or insure loans to finance the costs of projects;
9. provide for security within the boundaries of the Authority;
10. enter into loan agreements with respect to one or more projects upon the terms and conditions the Authority considers advisable;
11. acquire, manage, and operate projects as the Authority considers necessary or appropriate to serve the authority's purposes;

12. assist private lenders to make loans to finance the costs of projects through loan commitments, short-term financing, or otherwise;
13. charge fees or other forms of remuneration for the use or possession of projects in accordance with the agreements described in this section, other agreements relating to the projects, covenants, or representations made in bond documents relating to the projects, or regulations of the authority relating to the projects;
14. exercise the powers of eminent domain and declaration of taking within its physical boundaries under AS 29.35.030 to acquire land or materials for authority purposes;
15. defend and indemnify a current or former member of the board, employee, or agent of the Authority against all costs, expenses, judgments, and liabilities, including attorney fees, incurred by or imposed upon that person in connection with civil or criminal action in which the person is involved as a result of the person's affiliation with the Authority if the person acted in good faith on behalf of the Authority and within the scope of the person's official duties and powers;
16. purchase insurance to protect and hold harmless its employees, agents, and board members from an action, claim, or proceeding arising out of the performance, purported performance, or failure to perform in good faith, of duties for, or employment with the Authority and to hold them harmless from expenses connected with the defense, settlement, or monetary judgments from that action, claim, or proceeding; the purchase of insurance is subject to the discretion of the board; insurance purchased under this paragraph may not be considered compensation to the insured person; and

17. protect its assets, services, and employees by purchasing insurance or providing for certain self-insurance retentions; an authority may also maintain casualty, property, business interruption, marine, boiler and machinery, pollution liability, and other insurance in amounts reasonably calculated to cover potential claims against the Authority or a municipality for bodily injury, death or disability, and property damage that may arise from or be related to Authority operations and activities.

Such powers shall be exercised subject only to such restrictions upon the manner of exercising such powers as are imposed under this Ordinance and the Act. The Authority shall have such additional powers as may be necessary or convenient to effect the purposes of this Ordinance or as may be provided in the Act, as it may hereafter be amended and supplemented.

Section 7. Governing Board.

Each Original Municipality shall appoint three (3) members to the Board, each serving in his or her individual capacity as a member of the Board. Each member of the Board shall serve for a term of four (4) years. Any appointment to fill an unexpired term shall be for the remainder of such unexpired term. The terms of office specified above shall be applicable unless the term of office of the respective member is terminated as hereinafter provided.

Each member of the Board shall be a registered voter, reside within the State of Alaska, and serve at the pleasure of the governing body of the original Municipality by whom such member was appointed. The term of office of any member of the Board appointed by an original Municipality may be terminated at any time by a majority vote of the governing body of such original Municipality which appointed such member.

Members of the Board shall be entitled to receive reimbursement for any expenses actually incurred in connection with serving as a member of the Board, if the Board shall determine that such expenses shall be reimbursed and there are unencumbered funds available for such purposes.

Section 8. Bylaws.

The Board shall adopt appropriate bylaws necessary or convenient for the conduct of its function and purposes.

Section 9. Meetings of the Board.

The manner, time and conduct of meetings of the Board shall be as set forth in the Bylaws.

Section 10. Officers; Duties.

The Board shall appoint such officers as shall be set forth in the Bylaws, including, but not limited to, a chief executive officer as provided in the Act.

Section 11. Bonds; Indebtedness.

The Authority shall have power to issue Bonds in accordance with the provisions of the Act for the purpose of raising funds necessary to carry out its powers under this Ordinance and to enter into appropriate agreements or leases to secure said Bonds.

The Authority shall also have the power to issue any other form of indebtedness authorized by the Act in accordance with the provisions of the Act for such purposes.

Section 12. Operation of the Project.

The Authority shall provide for the operation and maintenance of the Project.

Section 13. Contributions and Advances; Payment of Costs.

Contributions or advances of public funds and of personnel, equipment or property may be made to the Authority by the Participating Municipalities for any of the purposes of this Ordinance. Payment of public funds may be made to defray the cost of any such contribution. Any such advance may be made subject to repayment and in such case shall be repaid in the manner agreed upon by the respective Participating Municipality and the Authority at the time of making such advance.

Section 14. Accounts and Reports.

The Authority shall establish and maintain such funds and accounts as may be required by good accounting practice and by any provision of any resolution of the Authority securing Bonds. The books and records of the Authority shall be open to inspection at all reasonable times by each Participating Municipality and their respective representatives. Within ninety (90) days following the end of each fiscal year of the Authority, the Board shall distribute to the mayor and governing body of each Participating Municipality a report describing the operations and financial condition of the Authority during the preceding fiscal year.

Section 15. Development Plan.

Prior to commencement of the Project, the Authority shall deliver to each Participating Municipality a development plan with respect to the acquisition, construction and installation of the Project. The Authority shall be prohibited from undertaking the construction or acquisition of a project unless the project appears in a development plan submitted to and approved by the governing body of the municipality or municipalities participating in the Authority.

Section 16. Dissolution.

The Authority shall cease to exist and be dissolved upon the termination thereof as provided in Section 4 of this Ordinance. Upon dissolution of the Authority, the assets of the Authority shall be distributed to all the Participating Municipalities as provided in Section 29.35.610 of the Act.

Section 17. Sharing of Net Revenues.

All net revenues derived by the Authority from the Project, after payment of maintenance and operation costs, capital expenditures, debt service and other costs and expenses related to the operation of the Project or of the Authority and after establishment and funding of such reserves as the Authority shall deem necessary or appropriate, shall be shared with the State and all municipalities, regardless of membership in the Authority, in accordance with the following formula:

(1) Municipalities that have real or personal property located within their taxing jurisdiction that is exempt from taxation because it is owned by the Authority, shall receive annually a Payment In Lieu of Tax (PILT) equal to two percent (2%) of the original cost of construction or acquisition of that property within their taxing boundaries. The value each year of the property qualifying for the PILT shall be its original cost plus subsequent capital costs added to those facilities in each municipality. This does not include the costs incurred for maintenance.

(2) The balance of the net revenues following the PILT payments described above shall be distributed as follows:

- (a) Sixty percent (60%) shall be distributed to the State of Alaska;
- (b) Thirty percent (30%) shall be distributed to municipalities as follows:

(i) each municipality shall receive an annual pro rata payment based upon their population, as established by the Alaska Taxable for that year, with each municipality receiving a minimum payment of Fifty Thousand Dollars (\$50,000).

(ii) each municipality within a borough shall receive a pro rata payment based upon the percentage that their prior year's general fund operating budget is to the general fund operating budget of the borough. The balance remaining shall be paid to the borough. The minimum annual payment shall also apply to municipalities within a borough.

(c) Ten percent (10%) shall be divided equally among the Original Municipalities of the Authority who became members prior to December 31, 1999.

Section 18. Severability.

Should any part, term or provision of this Ordinance be decided by the courts to be illegal or in conflict with any law of the State, or otherwise be rendered unenforceable or ineffectual, the validity of the remaining parts, terms or provisions shall not be affected thereby.

Section 19. Amendment of Ordinance.

This Ordinance may be amended by the governing board of each Original Municipality then participating in the Authority, but only with the prior approval of the Board.

Section 20. Section Headings.

All Section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of this Ordinance.

Section 21. Amendment of Law.

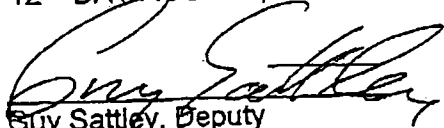
All references in this Ordinance to specific statutes shall be construed to refer to those statutes as may be amended or recodified from time to time.

Section 22. Election.


The appropriate officers, employees, representatives and agents of the Fairbanks North Star Borough are hereby authorized and directed to do everything necessary or desirable to the calling and holding of the election and to otherwise carry out the provisions of this Ordinance. This election shall be held on October 5, 1999.

Section 23. This ordinance shall take effect immediately upon passage and approval.

PASSED AND APPROVED THIS 12TH DAY AUGUST, 1999.


Guy Sattley, Deputy
Presiding Officer

ATTEST:


Mona Lisa Drexler, CMC/AE
Municipal Borough Clerk

Ayes: Veazey, Parr, Webb, Young, Prax, Beck, Cummings, Sonafrank, Sattley
Noes: None

NORTH SLOPE BOROUGH
ORDINANCE SERIAL NO. 99-06

ORDINANCE OF THE NORTH SLOPE BOROUGH PROVIDING
FOR THE CREATION OF THE ALASKA GASLINE PORT
AUTHORITY PURSUANT TO THE MUNICIPAL PORT
AUTHORITY ACT AS AUTHORIZED IN A.S. 29.35.600, ET SEQ.

WHEREAS, Article VIII, Section I, Constitution of the State of Alaska, provides that it is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest.

WHEREAS, development of Alaska's natural gas reserves is of critical importance to the financial well-being of the State of Alaska and of its citizens.

WHEREAS, development of Alaska's natural gas reserves has been delayed for many years because of, among other things, the lack of a pipeline or other economically viable method for transporting natural gas to market. Private interests have been unable to finance or construct such a pipeline.

WHEREAS, public ownership of a natural gas pipeline offers some advantages over private ownership. Income from pipeline operations would be exempt from federal income tax. Interest on bonds issued to finance pipeline construction would, to some extent, be exempt from federal income tax.

WHEREAS, the seller of the gas must be an entity that can credibly deliver gas to the purchasers. No such entity currently exists. Private entities alone cannot finance or construct the pipeline on an economically viable basis.

WHEREAS, Alaska law permits one or more municipalities to create a Port Authority that could credibly deliver natural gas to purchasers. The port authority would have the power to finance and construct the pipeline and related facilities, and to purchase and sell natural gas.

NOW, THEREFORE, BE IT ENACTED:

Section 1. Classification. This ordinance is of a general and permanent nature and shall become part of the Borough Code.

Section 2. Severability. If any provision of this ordinance or any application thereof to any person or circumstances is held invalid, the remainder of this ordinance and the application to other persons or circumstances shall not be affected thereby.

Section 3. Effectiveness. This ordinance shall become effective upon adoption by the Assembly and approval by the voters.

Section 4. Adoption. New Code Sections 4.01.010 through 4.01.220 are adopted as annexed hereto as part of this ordinance and Title 4 of the Code of Ordinances of the North Slope Borough.

INTRODUCED: July 6, 1999

ADOPTED: August 3, 1999

J. L. Liden
Date: 8/9/99 President

ATTEST:

Scott H. Paring
Clerk
Date: 8-9-99

Karen Bunnell
Acting Mayor
Date: 8-5-99

TITLE 4: ALASKA GASLINE PORT AUTHORITY

Chapter

Section

4.01.010	DEFINITIONS
4.01.020	PURPOSE: BOUNDARIES
4.01.030	CREATION OF AUTHORITY
4.01.040	TERM
4.01.050	PARTICIPATION OF MUNICIPALITIES
4.01.060	POWER; RESTRICTION UPON EXERCISE
4.01.070	GOVERNING BOARD
4.01.080	BYLAWS
4.01.090	MEETINGS OF THE BOARD
4.01.100	OFFICERS; DUTIES
4.01.110	BONDS; INDEBTEDNESS
4.01.120	OPERATION OF THE PROJECT
4.01.130	CONTRIBUTIONS AND ADVANCES; PAYMENT OF COSTS
4.01.140	ACCOUNTS AND REPORTS
4.01.150	DEVELOPMENT PLAN
4.01.160	DISSOLUTION
4.01.170	SHARING OF NET REVENUES
4.01.180	SEVERABILITY
4.01.190	AMENDMENT OF ORDINANCE
4.01.200	SECTION HEADINGS
4.01.210	AMENDMENT OF LAW
4.01.220	ELECTION

§4.01.010 Definitions

Unless the context otherwise requires, the terms defined in this §4.01.010 shall for all purposes of this Ordinance have the meanings herein specified.

Act - The term "Act" shall mean the Municipal Port Authority Act, Alaska Statutes Section 29.35.600 et seq.

Authority - The term "Authority" shall mean the Alaska Gasline Port Authority created by this Ordinance.

Board - The term "Board" shall mean the governing board of the Authority.

Bonds - The term "Bonds" shall mean bonds or other obligations of the Authority authorized and issued pursuant to the Act, including each and all series of bonds, and shall also include, except where the context shall require otherwise, any other form of

indebtedness of the Authority authorized, issued or incurred pursuant to the Act.

Bylaws - The term "Bylaws" means the bylaws of the Authority as adopted by the Board pursuant to the Act and §4.01.080 of this Ordinance.

Original Municipality - The term "Original Municipality" shall have the meaning given such term in §4.01.050 of this Ordinance.

Participating Municipality - The term "Participating Municipality" shall mean each Original Municipality and each municipality which joins and participates in the Authority as provided in the Act.

Project - The term "Project" shall mean the acquisition, construction, financing, installation and improvement of a port facility in the Port of Valdez, including associated and related facilities for the conditioning, transportation, liquefaction, storage and shipping of natural gas and other commodities to, at and from such facility. "Project" shall include conditioning plants, compression stations, pipelines, spur lines, and liquefied natural gas facilities, and shall also include the acquisition and purchase of natural gas and related commodities (or rights thereto) and all permits, licenses and related rights necessary or convenient for the operation of any of the facilities described above.

Sponsor - The term "Sponsor" shall mean each of the City of Valdez, the Fairbanks North Star Borough, the North Slope Borough and the Municipality of Anchorage upon adoption by such municipality of this Ordinance or an ordinance parallel to this Ordinance, as appropriate.

State - The term "State" means the State of Alaska.

§4.01.020 Purpose and Boundaries.

This Ordinance is adopted pursuant to the Act to provide for the creation of the Authority as a port authority and public corporation of the Participating Municipalities.

The boundaries of the Authority shall be coterminous with the boundaries of the Participating Municipalities.

§4.01.030 Creation of Authority.

Upon approval of the voters of one or more of the Sponsors, there shall be created pursuant to the Act and this Ordinance a port authority to be known as the "Alaska Gasline Port Authority." As provided in the Act, the Authority shall be a public corporation separate and apart from the Participating Municipalities. The debts, liabilities and obligations of the Authority shall not constitute debts, liabilities or

obligations of the Participating Municipalities.

§4.01.040 Term.

The Authority shall be established and come into existence upon the approval of the voters of any one or more of the Sponsors and shall continue in existence and effect until the later of (i) such time as the Bonds and the interest thereon shall have been paid in full, and (ii) dissolution of the Authority upon the vote of the Board.

§4.01.050 Participation of Municipalities.

Each Sponsor shall join and participate in the Authority upon (1) adoption of this Ordinance or an ordinance parallel to this Ordinance, as appropriate, and (2) either (a) approval of such ordinance by the voters of such municipality or (b) otherwise satisfying prior to December 31, 1999, the requirements set forth in the Act relating to joining a port authority. Only sponsors who join the Authority by December 31, 1999, shall be considered Original Municipalities.

§4.01.060. Power; Restriction upon Exercise.

The Authority shall have the power to acquire, by purchase, lease, contribution, condemnation or otherwise, real property and personal property for the Project, and to construct and improve, or cause to be constructed and improved, and to maintain and operate all or part of the Project; subject, however to the conditions and restrictions heretofore and hereinafter in this Ordinance contained.

The Authority is authorized, in its own name, to do all acts necessary or convenient for the exercise of said power for said purposes, including but not limited to, any of the following:

1. sue and be sued;
2. have a seal and alter it at pleasure;
3. acquire an interest in a project as necessary or appropriate to provide financing for the project, whether by purchase, gift, or lease;
4. lease to others a project acquired by it and upon the terms and conditions the Authority may consider advisable, including, without limitation, provisions for purchase or renewal;

5. sell, by installment sale or otherwise, exchange, donate, convey, or encumber in any manner by mortgage or by creation of another security interest, real or personal property owned by it, or in which it has an interest, including a project, when, in the judgment of the Authority, the action is in furtherance of the Authority's purposes;
6. accept gifts, grants, or loans, under the terms and conditions imposed under the gift, grant, or loan, and enter into contracts, conveyances or other transactions with a federal agency or an agency or instrumentality of the state, a municipality, private organization, or other person;
7. deposit or invest its funds, subject to agreements with bondholders;
8. purchase or insure loans to finance the costs of projects;
9. provide for security within the boundaries of the Authority;
10. enter into loan agreements with respect to one or more projects upon the terms and conditions the Authority considers advisable;
11. acquire, manage, and operate projects as the Authority considers necessary or appropriate to serve the authority's purposes;
12. assist private lenders to make loans to finance the costs of projects through loan commitments, short-term financing, or otherwise;
13. charge fees or other forms of remuneration for the use or possession of projects in accordance with the agreements described in this section, other agreements relating to the

projects, covenants, or representations made in bond documents relating to the projects, or regulations of the authority relating to the projects;

14. exercise the powers of eminent domain and declaration of taking within its physical boundaries under AS 29.35.030 to acquire land or materials for authority purposes;
15. defend and indemnify a current or former member of the board, employee, or agent of the Authority against all costs, expenses, judgments, and liabilities, including attorney fees, incurred by or imposed upon that person in connection with civil or criminal action in which the person is involved as a result of the person's affiliation with the Authority if the person acted in good faith on behalf of the Authority and within the scope of the person's official duties and powers;
16. purchase insurance to protect and hold harmless its employees, agents, and board members from an action, claim, or proceeding arising out of the performance, purported performance, or failure to perform in good faith, of duties for, or employment with the Authority and to hold them harmless from expenses connected with the defense, settlement, or monetary judgments from that action, claim, or proceeding; the purchase of insurance is subject to the discretion of the board; insurance purchased under this paragraph may not be considered compensation to the insured person; and
17. protect its assets, services, and employees by purchasing insurance or providing for certain self-insurance retentions; an authority may also maintain casualty, property, business interruption, marine, boiler and machinery, pollution liability, and other insurance in amounts reasonably calculated to cover

potential claims against the Authority or a municipality for bodily injury, death or disability, and property damage that may arise from or be related to Authority operations and activities.

Such powers shall be exercised subject only to such restrictions upon the manner of exercising such powers as are imposed under this Ordinance and the Act. The Authority shall have such additional powers as may be necessary or convenient to effect the purposes of this Ordinance or as may be provided in the Act, as it may hereafter be amended and supplemented.

§4.01.070. Governing Board.

Each Original Municipality shall appoint three (3) members to the Board, each serving in his or her individual capacity as a member of the Board. Each member of the Board shall serve for a term of four (4) years. Any appointment to fill an unexpired term shall be for the remainder of such unexpired term. The terms of office specified above shall be applicable unless the term of office of the respective member is terminated as hereinafter provided.

Each member of the Board shall be a registered voter, reside within the State of Alaska, and serve at the pleasure of the governing body of the Original Municipality by whom such member was appointed. The term of office of any member of the Board appointed by an Original Municipality may be terminated at any time by a majority vote of the governing body of such Original Municipality which appointed such member.

Members of the Board shall be entitled to receive reimbursement for any expenses actually incurred in connection with serving as a member of the Board, if the Board shall determine that such expenses shall be reimbursed and there are unencumbered funds available for such purposes.

§4.01.080. Bylaws.

The Board shall adopt appropriate bylaws necessary or convenient for the conduct of its function and purposes.

§4.01.090. Meetings of the Board

The manner, time and conduct of meetings of the Board shall be as set forth in the Bylaws.

§4.01.100. Officers; Duties.

The Board shall appoint such officers as shall be set forth in the Bylaws, including, but not limited to, a chief executive officer as provided in the Act.

§4.01.110. Bonds; Indebtedness.

The Authority shall have power to issue Bonds in accordance with the provisions of the Act for the purpose of raising funds necessary to carry out its powers under this Ordinance and to enter into appropriate agreements or leases to secure said Bonds.

The Authority shall also have the power to issue any other form of indebtedness authorized by the Act in accordance with the provisions of the Act for such purposes.

§4.01.120. Operation of the Project.

The Authority shall provide for the operation and maintenance of the Project.

§4.01.130. Contributions and Advances; Payment of costs.

Contributions or advances of public funds and of personnel, equipment or property may be made to the Authority by the Participating Municipalities for any of the purposes of this Ordinance. Payment of public funds may be made to defray the cost of any such contribution. Any such advance may be made subject to repayment and in such case shall be repaid in the manner agreed upon by the respective Participating Municipality and the Authority at the time of making such advance.

§4.01.140. Accounts and Reports.

The Authority shall establish and maintain such funds and accounts as may be required by good accounting practice and by any provision of any resolution of the Authority securing Bonds. The books and records of the Authority shall be open to inspection at all reasonable times by each Participating Municipality and their respective representatives. Within ninety (90) days following the end of each fiscal year of the Authority, the Board shall distribute to the mayor and governing body of each Participating Municipality a report describing the operations and financial condition of the Authority during the preceding fiscal year.

§4.01.150. Development Plan.

Prior to commencement of the Project, the Authority shall deliver to each Participating Municipality a development plan with respect to the acquisition, construction and installation of the Project. The Authority shall be prohibited from undertaking the construction or acquisition of a project unless the project appears in a development plan submitted to and approved by the governing body of the municipality.

or municipalities participating in the Authority.

§4.01.160. Dissolution.

The Authority shall cease to exist and be dissolved upon the termination thereof as provided in §4.01.040 of this Ordinance. Upon dissolution of the Authority, the assets of the Authority shall be distributed to all the Participating Municipalities as provided in Section 29.35.610 of the Act.

§4.01.170. Sharing of Net Revenues.

All net revenues derived by the Authority from the Project, after payment of maintenance and operation costs, capital expenditures, debt service and other costs and expenses related to the operation of the Project or of the Authority and after establishment and funding of such reserves as the Authority shall deem necessary or appropriate, shall be shared with the State and all municipalities, regardless of membership in the Authority, in accordance with the following formula:

(1) Municipalities that have real or personal property located within their taxing jurisdiction that is exempt from taxation because it is owned by the Authority, shall receive annually a Payment In Lieu of Tax (PILT) equal to two percent (2%) of the original cost of construction or acquisition of that property within their taxing boundaries. The value each year of the property qualifying for the PILT shall be its original cost plus subsequent capital costs added to those facilities in each municipality. This does not include the costs incurred for maintenance.

(2) The balance of the net revenues following the PILT payments described above shall be distributed as follows:

(a) Sixty percent (60%) shall be distributed to the State of Alaska;

(b) Thirty percent (30%) shall be distributed to municipalities as follows:

(i) each municipality shall receive an annual pro rata payment based upon their population, as established by the Alaska Taxable for that year, with

each municipality receiving a minimum payment of Fifty Thousand Dollars (\$50,000).

- (ii) each municipality within a borough shall receive a pro rata payment based upon the percentage that their prior year's general fund operating budget is to the general fund operating budget of the borough. The balance remaining shall be paid to the borough. The minimum annual payment shall also apply to municipalities within a borough.
- (c) Ten percent (10%) shall be divided equally among the Original Municipalities of the Authority who became members prior to December 31, 1999.

§4.01.180. Severability.

Should any part, term or provision of this Ordinance be decided by the courts to be illegal or in conflict with any law of the State, or otherwise be rendered unenforceable or ineffectual, the validity of the remaining parts, terms or provisions shall not be affected thereby.

§4.01.190. Amendment of Ordinance.

This Ordinance may be amended by the governing board of each Original Municipality then participating in the Authority, but only with the prior approval of the Board.

§4.01.200. Section Headings.

All Section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of this Ordinance.

§4.01.210. Amendment of Law.

All references in this Ordinance to specific statutes shall be construed to refer to those statutes as may be amended or recodified from time to time.

§4.01:220. Election.

The appropriate officers, employees, representatives and agents of the North Slope Borough are hereby authorized and directed to do everything necessary or desirable to the calling and holding of the election and to otherwise carry out the provisions of this Ordinance. This election shall be held on October 5, 1999.

CITY OF VALDEZ, ALASKA

ORDINANCE NO. 99-11

ORDINANCE OF THE CITY OF VALDEZ PROVIDING FOR
THE CREATION OF THE ALASKA GASLINE PORT
AUTHORITY PURSUANT TO THE MUNICIPAL PORT
AUTHORITY ACT AS AUTHORIZED IN AS 29.35.600 ET
SEQ.

WHEREAS, Article VIII, Section I, Constitution of the State of Alaska, provides that it is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest; and

WHEREAS, development of Alaska's natural gas reserves is of critical importance to the financial well-being of the State of Alaska and of its citizens; and

WHEREAS, development of Alaska's natural gas reserves has been delayed for many years because of, among other things, the lack of a pipeline or other economically viable method for transporting natural gas to market. Private interests have been unable to finance or construct such a pipeline; and

WHEREAS, public ownership of a natural gas pipeline offers some advantages over private ownership. Income from pipeline operations would be exempt from federal income tax. Interest on bonds issued to finance pipeline construction would, to some extent, be exempt from federal income tax; and

WHEREAS, the seller of the gas must be an entity that can credibly deliver gas to the purchasers. No such entity currently exists. Private entities alone cannot finance or construct the pipeline on an economically viable basis; and

WHEREAS, Alaska law permits one or more municipalities to create a Port Authority that could credibly deliver natural gas to purchasers. The Port Authority would have the power to finance and construct the pipeline and related facilities, and to purchase and sell natural gas.

NOW, THEREFORE, BE IT ORDAINED by the People of the City of Valdez, Alaska, as follows:

Section 1. Definitions.

Unless the context otherwise requires, the terms defined in this Section 1 shall for all purposes of this Ordinance have the meanings herein specified.

Act - The term "Act" shall mean the Municipal Port Authority Act, Alaska Statutes Section 29.35.600 et seq.

Authority - The term "Authority" shall mean the Alaska Gasline Port Authority created by this Ordinance.

Board - The term "Board" shall mean the governing board of the Authority.

Bonds - The term "Bonds" shall mean bonds or other obligations of the Authority authorized and issued pursuant to the Act, including each and all series of bonds, and shall also include, except where the context shall require otherwise, any other form of indebtedness of the Authority authorized, issued or incurred pursuant to the Act.

Bylaws - The term "Bylaws" means the bylaws of the Authority as adopted by the Board pursuant to the Act and Section 8 of this Ordinance.

Original Municipality - The term "Original Municipality" shall have the meaning given such term in Section 5 of this Ordinance.

Participating Municipality - The term "Participating Municipality" shall mean each Original Municipality and each municipality which joins and participates in the Authority as provided in the Act.

Project - The term "Project" shall mean the acquisition, construction, financing, installation and improvement of a port facility in the Port of Valdez, including associated and related facilities for the conditioning, transportation, liquefaction, storage and shipping of natural gas and other commodities to, at and from such facility. "Project" shall include conditioning plants, compression stations, pipelines, spur lines, and liquefied natural gas facilities, and shall also include the acquisition and purchase of natural gas and related commodities (or rights thereto) and all permits, licenses and related rights necessary or convenient for the operation of any of the facilities described above.

Sponsor - The term "Sponsor" shall mean each of the City of Valdez, the Fairbanks North Star Borough, North Slope Borough and the Municipality of Anchorage upon adoption by such municipality of this Ordinance or an ordinance parallel to this Ordinance, as appropriate.

State - The term "State" means the State of Alaska.

Section 2. Purpose; Boundaries.

This Ordinance is adopted pursuant to the Act to provide for the creation of the Authority as a port authority and public corporation of the Participating Municipalities.

The boundaries of the Authority shall be coterminous with the boundaries of the Participating Municipalities.

Section 3. Creation of Authority.

Upon approval of the voters of one or more of the Sponsors, there shall be created pursuant to the Act and this Ordinance a port authority to be known as the "Alaska Gasline Port Authority." As provided in the Act, the Authority shall be a public corporation separate and apart from the Participating Municipalities. The debts, liabilities and obligations of the Authority shall not constitute debts, liabilities or obligations of the Participating Municipalities.

Section 4. Term.

The Authority shall be established and come into existence upon the approval of the voters of any one or more of the Sponsors and shall continue in existence and effect until the later of (i) such time as the Bonds and the interest thereon shall have been paid in full, and (ii) dissolution of the Authority upon the vote of the Board.

Section 5. Participation of Municipalities.

Each Sponsor shall join and participate in the Authority upon (1) adoption of this Ordinance or an ordinance parallel to this Ordinance, as appropriate, and (2) either (a) approval of such ordinance by the voters of such municipality or (b) otherwise satisfying prior to December 31, 1999, the requirements set forth in the Act relating to joining a port authority. Only sponsors who join the Authority by December 31, 1999, shall be considered Original Municipalities.

Section 6. Power; Restriction Upon Exercise.

The Authority shall have the power to acquire, by purchase, lease, contribution, condemnation or otherwise, real property and personal property for the Project, and to construct and improve, or cause to be constructed and improved, and to maintain and operate all or part of the Project; subject, however to the conditions and restrictions heretofore and hereinafter in this Ordinance contained.

The Authority is authorized, in its own name, to do all acts necessary or convenient for the exercise of said power for said purposes, including but not limited to, any of the following:

1. sue and be sued;
2. have a seal and alter it at pleasure;
3. acquire an interest in a project as necessary or appropriate to provide financing for the project, whether by purchase, gift, or lease;
4. lease to others a project acquired by it and upon the terms and conditions the Authority may consider advisable, including, without limitation, provisions for purchase or renewal;
5. sell, by installment sale or otherwise, exchange, donate, convey, or encumber in any manner by mortgage or by creation of another security interest, real or personal property owned by it, or in which it has an interest, including a project, when, in the judgment of the Authority, the action is in furtherance of the Authority's purposes;
6. accept gifts, grants, or loans, under the terms and conditions imposed under the gift, grant, or loan, and enter into contracts, conveyances or other transactions with a federal agency or an agency or instrumentality of the state, a municipality, private organization, or other person;
7. deposit or invest its funds, subject to agreements with bondholders;
8. purchase or insure loans to finance the costs of projects;
9. provide for security within the boundaries of the Authority;
10. enter into loan agreements with respect to one or more projects upon the terms and conditions the Authority considers advisable;
11. acquire, manage, and operate projects as the Authority considers necessary or appropriate to serve the authority's purposes;
12. assist private lenders to make loans to finance the costs of projects through loan commitments, short-term financing, or otherwise;

13. charge fees or other forms of remuneration for the use or possession of projects in accordance with the agreements described in this section, other agreements relating to the projects, covenants, or representations made in bond documents relating to the projects, or regulations of the authority relating to the projects;
14. exercise the powers of eminent domain and declaration of taking within its physical boundaries under AS 29.35.030 to acquire land or materials for authority purposes;
15. defend and indemnify a current or former member of the board, employee, or agent of the Authority against all costs, expenses, judgments, and liabilities, including attorney fees, incurred by or imposed upon that person in connection with civil or criminal action in which the person is involved as a result of the person's affiliation with the Authority if the person acted in good faith on behalf of the Authority and within the scope of the person's official duties and powers;
16. purchase insurance to protect and hold harmless its employees, agents, and board members from an action, claim, or proceeding arising out of the performance, purported performance, or failure to perform in good faith, of duties for, or employment with the Authority and to hold them harmless from expenses connected with the defense, settlement, or monetary judgments from that action, claim, or proceeding; the purchase of insurance is subject to the discretion of the board; insurance purchased under this paragraph may not be considered compensation to the insured person; and
17. protect its assets, services, and employees by purchasing insurance or providing for certain self-insurance retentions; an authority may also maintain casualty, property, business interruption, marine, boiler and machinery, pollution liability, and other insurance in amounts reasonably calculated to cover potential claims against the Authority or a municipality for bodily injury, death or disability, and property damage that may arise from or be related to Authority operations and activities.

Such powers shall be exercised subject only to such restrictions upon the manner of exercising such powers as are imposed under this Ordinance and the Act. The Authority shall have such additional powers as may be necessary or convenient to effect the purposes of this Ordinance or as may be provided in the Act, as it may hereafter be amended and supplemented.

Section 7. Governing Board.

Each Original Municipality shall appoint three (3) members to the Board, each serving in his or her individual capacity as a member of the Board. Each member of the Board shall serve for a term of four (4) years. Any appointment to fill an unexpired term shall be for the remainder of such unexpired term. The terms of office specified above shall be applicable unless the term of office of the respective member is terminated as hereinafter provided.

Each member of the Board shall be a registered voter, reside within the State of Alaska, and serve at the pleasure of the governing body of the original Municipality by whom such member was appointed. The term of office of any member of the Board appointed by an original Municipality may be terminated at any time by a majority vote of the governing body of such original Municipality which appointed such member.

Members of the Board shall be entitled to receive reimbursement for any expenses actually incurred in connection with serving as a member of the Board, if the Board shall determine that such expenses shall be reimbursed and there are unencumbered funds available for such purposes.

Section 8. Bylaws.

The Board shall adopt appropriate bylaws necessary or convenient for the conduct of its function and purposes.

Section 9. Meetings of the Board.

The manner, time and conduct of meetings of the Board shall be as set forth in the Bylaws.

Section 10. Officers; Duties.

The Board shall appoint such officers as shall be set forth in the Bylaws, including, but not limited to, a chief executive officer as provided in the Act.

Section 11. Bonds; Indebtedness.

The Authority shall have power to issue Bonds in accordance with the provisions of the Act for the purpose of raising funds necessary to carry out its powers under this Ordinance and to enter into appropriate agreements or leases to secure said Bonds.

The Authority shall also have the power to issue any other form of indebtedness authorized by the Act in accordance with the provisions of the Act for such purposes.

Section 12. Operation of the Project.

The Authority shall provide for the operation and maintenance of the Project.

Section 13. Contributions and Advances; Payment of Costs.

Contributions or advances of public funds and of personnel, equipment or property may be made to the Authority by the Participating Municipalities for any of the purposes of this Ordinance. Payment of public funds may be made to defray the cost of any such contribution. Any such advance may be made subject to repayment and in such case shall be repaid in the manner agreed upon by the respective Participating Municipality and the Authority at the time of making such advance.

Section 14. Accounts and Reports.

The Authority shall establish and maintain such funds and accounts as may be required by good accounting practice and by any provision of any resolution of the Authority securing Bonds. The books and records of the Authority shall be open to inspection at all reasonable times by each Participating Municipality and their respective representatives. Within ninety (90) days following the end of each fiscal year of the Authority, the Board shall distribute to the mayor and governing body of each Participating Municipality a report describing the operations and financial condition of the Authority during the preceding fiscal year.

Section 15. Development Plan.

Prior to commencement of the Project, the Authority shall deliver to each Participating Municipality a development plan with respect to the acquisition, construction and installation of the Project. The Authority shall be prohibited from undertaking the construction or acquisition of a project unless the project appears in a development plan submitted to and approved by the governing body of the municipality or municipalities participating in the Authority.

Section 16. Dissolution.

The Authority shall cease to exist and be dissolved upon the termination thereof as provided in Section 4 of this Ordinance. Upon dissolution of the Authority, the assets of the Authority shall be distributed to all the Participating Municipalities as provided in Section 29.35.610 of the Act.

Section 17. Sharing of Net Revenues.

All net revenues derived by the Authority from the Project, after payment of maintenance and operation costs, capital expenditures, debt service and other costs and expenses related to the operation of the Project or of the Authority and after establishment and funding of such reserves as the Authority shall deem necessary or appropriate, shall be shared with the State and all municipalities, regardless of membership in the Authority, in accordance with the following formula:

(1) Municipalities that have real or personal property located within their taxing jurisdiction that is exempt from taxation because it is owned by the Authority, shall receive annually a Payment In Lieu of Tax (PILT) equal to two percent (2%) of the original cost of construction or acquisition of that property within their taxing boundaries. The value each year of the property qualifying for the PILT shall be its original cost plus subsequent capital costs added to those facilities in each municipality. This does not include the costs incurred for maintenance.

(2) The balance of the net revenues following the PILT payments described above shall be distributed as follows:

(a) Sixty percent (60%) shall be distributed to the State of Alaska;

(b) Thirty percent (30%) shall be distributed to municipalities as follows:

(i) each municipality shall receive an annual pro rata payment based upon their population, as established by the Alaska Taxable for that year, with each municipality receiving a minimum payment of Fifty Thousand Dollars (\$50,000).

(ii) each municipality within a borough shall receive a pro rata payment based upon the percentage that their prior year's general fund operating budget is to the general fund operating budget of the borough. The balance remaining shall be paid to the borough. The minimum annual payment shall also apply to municipalities within a borough.

(c) Ten percent (10%) shall be divided equally among the Original Municipalities of the Authority who became members prior to December 31, 1999.

Section 18. Severability.

Should any part, term or provision of this Ordinance be decided by the courts to be illegal or in conflict with any law of the State, or otherwise be rendered unenforceable or ineffectual, the validity of the remaining parts, terms or provisions shall not be affected thereby.

Section 19. Amendment of Ordinance.

This Ordinance may be amended by the governing board of each Original Municipality then participating in the Authority, but only with the prior approval of the Board.

Section 20. Section Headings.

All Section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of this Ordinance.

Section 21. Amendment of Law.

All references in this Ordinance to specific statutes shall be construed to refer to those statutes as may be amended or recodified from time to time.

Section 22. Election.

The appropriate officers, employees, representatives and agents of the City of Valdez are hereby authorized and directed to do everything necessary or desirable to the calling and holding of the election and to otherwise carry out the provisions of this Ordinance. This election shall be held on October 5, 1999.

Section 23. This ordinance shall take effect immediately upon passage and approval.

PASSED AND APPROVED BY THE COUNCIL OF THE CITY OF VALDEZ, ALASKA, this 19th day of July, 1999.

CITY OF VALDEZ, ALASKA

By: David C Cobb

David C. Cobb, Mayor

ATTEST:

Sheri L. Caples-Pierce
Sheri Caples-Pierce, CMC, City Clerk

APPROVED AS TO FORM:

WALKER WALKER
WENDLANDT & OSOWSKI, LLC
Attorneys for the City of Valdez

By: William M. Walker
William M. Walker

1st Reading: July 6, 1999
2nd Reading: July 19, 1999
Adoption: July 19, 1999
Ayes: 4
Noes: 0
Not Voting: 0
Absent: 3 (Moore, Shirrell, Nielsen)



*13033 Alaska Stat. § 29.35.600

Sess.

WEST'S ALASKA STATUTES
TITLE 29. MUNICIPAL
GOVERNMENT
CHAPTER 35. MUNICIPAL
POWERS AND DUTIES
ARTICLE 9. PORT AUTHORITIES

§ 29.35.600. Purpose of authorities

The purpose of a port authority is to provide for the development of a port or ports for transportation related commerce within the territory of the authority.

Current through 1998 2nd Reg. Sess. and 1st Sp.

. Search this disc for cases citing this section.

*13034 Alaska Stat. § 29.35.605

**WEST'S ALASKA STATUTES
TITLE 29. MUNICIPAL
GOVERNMENT
CHAPTER 35. MUNICIPAL
POWERS AND DUTIES
ARTICLE 9. PORT AUTHORITIES**

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

**§ 29.35.605. Establishment of port
authorities**

(a) A port authority may be created by one of the following means:

(1) the governing body of a municipality may create by ordinance a port authority as a public corporation of the municipality;

(2) the governing bodies of two or more municipalities may create by parallel ordinances adopted by each of the governing bodies a port authority as a public corporation of the municipalities.

(b) One or more municipalities may join an authority established under (a)(1) or (2) of this section upon the adoption of parallel ordinances by the governing bodies of each affected

municipality.

(c) A port authority created under this section is a body corporate and politic and an instrumentality of the municipality or municipalities creating it but having a separate and independent legal existence.

(d) Creation of a port authority under AS 29.35.600 - 29.35.730 is an exercise of a municipality's transportation system powers.

(e) The enabling ordinance by which a port authority is established must specify the powers, boundaries, and limitations of the port authority.

(f) An ordinance creating a port authority shall require approval by the voters of the municipality or municipalities participating in the authority in order for the authority to be established.

(g) Nothing in AS 29.35.600 - 29.35.725 prevents a municipality or municipalities from creating or participating in a public corporation, including a port authority, in any form or manner not prohibited by law. However, the provisions of AS 29.35.600 - 29.35.725 only apply to and may only be utilized by a port authority created under this section.

Search this disc for cases citing this section.

*13035 Alaska Stat. § 29.35.610

WEST'S ALASKA STATUTES
TITLE 29. MUNICIPAL
GOVERNMENT
CHAPTER 35. MUNICIPAL
POWERS AND DUTIES
ARTICLE 9. PORT AUTHORITIES

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

§ 29.35.610. Dissolution of a port
authority

(a) The enabling ordinance by which a port authority is created must provide for the manner by which a port authority may be dissolved.

(b) If an authority ceases to exist, its assets shall be distributed to the municipalities that participated in the authority in proportion to the difference between their contributions to the authority and any outstanding debt or obligation of that municipality to the authority, provided that any obligation to bondholders then outstanding shall first be satisfied in full.

Search this disc for cases citing this section.

*13036 Alaska Stat. § 29.35.615

**WEST'S ALASKA STATUTES
TITLE 29. MUNICIPAL
GOVERNMENT
CHAPTER 35. MUNICIPAL
POWERS AND DUTIES
ARTICLE 9. PORT AUTHORITIES**

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

§ 29.35.615. Municipal property

(a) A municipality may transfer and otherwise convey or lease real property, and any improvements to it, to an authority for use by the authority for the purposes set out in the ordinance adopted under AS 29.35.605.

(b) A municipality may transfer and otherwise assign or lease personal property to an authority for use by the authority for the purposes set out in the ordinance adopted under AS 29.35.605.

Search this disc for cases citing this section.

*13037 Alaska Stat. § 29.35.620

WEST'S ALASKA STATUTES
TITLE 29. MUNICIPAL
GOVERNMENT
CHAPTER 35. MUNICIPAL
POWERS AND DUTIES
ARTICLE 9. PORT AUTHORITIES

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

§ 29.35.620. Powers

If provided in the enabling ordinance, an authority may

- (1) sue and be sued;
- (2) have a seal and alter it at pleasure;
- (3) acquire an interest in a project as necessary or appropriate to provide financing for the project, whether by purchase, gift, or lease;
- (4) lease to others a project acquired by it and upon the terms and conditions the authority may consider advisable, including, without limitation, provisions for purchase or renewal;
- (5) sell, by installment sale or otherwise, exchange, donate, convey, or encumber in any manner by mortgage or by creation of another security interest, real or personal property owned by it, or in which it has an interest, including a project, when, in the judgment of the authority, the action is in furtherance of the authority's purposes;
- (6) accept gifts, grants, or loans, under the terms and conditions imposed under the gift, grant, or loan, and enter into contracts, conveyances or other transactions with a federal agency or an agency or instrumentality of the state, a municipality, private organization, or other person;
- (7) deposit or invest its funds, subject to

agreements with bondholders;

(8) purchase or insure loans to finance the costs of projects;

(9) provide for security within the boundaries of the authority;

(10) enter into loan agreements with respect to one or more projects upon the terms and conditions the authority considers advisable;

(11) acquire, manage, and operate projects as the authority considers necessary or appropriate to serve the authority's purposes;

(12) assist private lenders to make loans to finance the costs of projects through loan commitments, short-term financing, or otherwise;

(13) charge fees or other forms of remuneration for the use or possession of projects in accordance with the agreements described in this section, other agreements relating to the projects, covenants, or representations made in bond documents relating to the projects, or regulations of the authority relating to the projects;

(14) exercise the powers of eminent domain and declaration of taking within its physical boundaries under AS 29.35.030 to acquire land or materials for authority purposes;

*13038 (15) regulate land use within the boundaries of the authority;

(16) defend and indemnify a current or former member of the board, employee, or agent of the authority against all costs, expenses, judgments, and liabilities, including attorney fees, incurred by or imposed upon that person in connection with civil or criminal action in which the person is involved as a result of the person's affiliation with the authority if the person acted in good faith on behalf of the authority and within the scope of the person's official duties and powers;

(17) purchase insurance to protect and hold harmless its employees, agents, and board members from an action, claim, or proceeding arising out of the performance, purported performance, or failure to perform in good faith, of duties for, or employment with the authority and to hold them harmless from expenses connected with the defense, settlement, or monetary judgments from that action, claim, or proceeding; the purchase of insurance is subject to the discretion of the board; insurance purchased under this paragraph may not be considered compensation to the insured person; and

(18) protect its assets, services, and employees by purchasing insurance or providing for certain self-insurance retentions; an authority may also maintain casualty, property, business interruption, marine, boiler and machinery, pollution liability, and other insurance in amounts reasonably calculated to cover potential claims against the authority or a municipality for bodily injury, death or disability, and property damage that may arise from or be related to authority operations and activities.

Search this disc for cases citing this section.

*13039 Alaska Stat. § 29.35.625

**WEST'S ALASKA STATUTES
TITLE 29. MUNICIPAL
GOVERNMENT
CHAPTER 35. MUNICIPAL
POWERS AND DUTIES
ARTICLE 9. PORT AUTHORITIES**

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

**§ 29.35.625. Bonds of a port authority;
superior court jurisdiction**

(a) If authorized by the enabling ordinance, an authority may borrow money and may issue bonds on which the principal and interest are payable

(1) exclusively from the income and receipts of, or other money derived from, the project financed with the proceeds of the bonds;

(2) exclusively from the income and receipts of, or other money derived from, designated projects or other sources whether or not they are financed, insured, or guaranteed in whole or in part with the proceeds of the bonds; or

(3) from its income and receipts generally or a designated part or parts of them.

(b) All bonds may be sold at public or private sale in the manner, for the price or prices, and at the time or times that the authority may determine.

(c) Before issuing bonds, an authority shall provide for consideration at least sufficient, in

the judgment of the authority, to pay the principal and interest on the bonds as they become due and to create and maintain the reserves for the payment that the authority considers necessary or desirable and meet all obligations in connection with the lease or agreement and all costs necessary to service the bonds, unless the lease or agreement provides that the obligations are to be met or costs are to be paid by a party other than the authority.

(d) Bonds shall be authorized by resolution of the authority, be dated, and shall mature as the resolution may provide, except that a bond may not mature more than 40 years from the date of its issue. Bonds shall bear interest at the rate or rates, be in the denominations, be in the form, either coupon or registered, carry the registration privileges, be executed in the manner, be payable in the medium of payment, at the place or places, and be subject to the terms of redemption that the resolution or a subsequent resolution may provide.

(e) All bonds issued under this section, regardless of form or character, are negotiable instruments for all of the purposes of AS 45.01 - AS 45.09, AS 45.12, and AS 45.14 (Uniform Commercial Code).

*13040 (f) The superior court has jurisdiction to hear and determine suits, actions, or proceedings relating to an authority, including suits, actions, or proceedings brought to foreclose or otherwise enforce a mortgage, pledge, assignment, or security interest brought by or for the benefit or security of a holder of the authority's bonds or by a trustee for or other representative of the holders.

Search this disc for cases citing this section.

*13041 Alaska Stat. § 29.35.630

**WEST'S ALASKA STATUTES
TITLE 29. MUNICIPAL
GOVERNMENT
CHAPTER 35. MUNICIPAL
POWERS AND DUTIES
ARTICLE 9. PORT AUTHORITIES**

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

§ 29.35.630. Bonds eligible for investment

Bonds issued under AS 29.35.625 are securities in which all public officers and public bodies of the state and its political subdivisions, all insurance companies, trust companies, banks, investment companies, executors, administrators, trustees, and other fiduciaries may properly and legally invest funds, including capital in their control or belonging to them. The bonds may be deposited with a state or municipal officer of an agency or political subdivision of the state for any purpose that the deposit of bonds of the state is authorized by law.

Search this disc for cases citing this section.

*13042 Alaska Stat. § 29.35.635

**WEST'S ALASKA STATUTES
TITLE 29. MUNICIPAL
GOVERNMENT
CHAPTER 35. MUNICIPAL
POWERS AND DUTIES
ARTICLE 9. PORT AUTHORITIES**

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

§ 29.35.635. Validity of pledge

The pledge of revenue of an authority to the payment of the principal or interest on bonds or notes of the authority is valid and binding from the time the pledge is made, and the revenue is immediately subject to the lien of the pledge without physical delivery or further act. The lien of a pledge is valid and binding against all parties having claims of any kind against the authority irrespective of whether those parties have notice of the lien of the pledge.

Search this disc for cases citing this section.

*13043 Alaska Stat. § 29.35.640

**WEST'S ALASKA STATUTES
TITLE 29. MUNICIPAL
GOVERNMENT
CHAPTER 35. MUNICIPAL
POWERS AND DUTIES
ARTICLE 9. PORT AUTHORITIES**

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

**§ 29.35.640. Credit of state or a
municipality not pledged**

(a) The state and municipalities participating in an authority are not liable for the debts of that authority. Bonds issued under AS 29.35.625 are payable solely from the revenue of the authority and do not constitute a

(1) debt, liability, or obligation of the state or a municipality; or

(2) pledge of the faith and credit of the state or a municipality.

(b) An authority may not pledge the credit or the taxing power of the state or its municipalities. A bond issued under AS 29.35.625 must contain on its face a statement that

(1) the authority is not obligated to pay it or the interest on it except from the revenue pledged for it; and

(2) the faith and credit of the taxing power of the state or of a political subdivision of the state is not pledged to the payment of it.

Search this disc for cases citing this section.

*13044 Alaska Stat. § 29.35.645

**WEST'S ALASKA STATUTES
TITLE 29. MUNICIPAL
GOVERNMENT
CHAPTER 35. MUNICIPAL
POWERS AND DUTIES
ARTICLE 9. PORT AUTHORITIES**

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

**§ 29.35.645. Pledges of the state and
municipalities**

The state and municipalities participating in the authority pledge to and agree with the holders of bonds issued under AS 29.35.625 and with the federal agency, if any, that loans or contributes funds in respect to a project of the authority, that the state and the municipalities

participating in the authority will not limit or alter the rights and powers vested in the authority by its enabling ordinance or other law so that it is unable to fulfill the terms of a contract made by the authority with those holders or that federal agency, or in any way impair the rights and remedies of those holders or that federal agency until the bonds, together with the interest on them and interest on unpaid installments of interest, and all costs and expenses in connection with an action or proceeding by or on behalf of those holders or that federal agency, are fully met and discharged. An authority is authorized to include this pledge and agreement of the state and the municipalities participating in the authority, insofar as it refers to holders of bonds of the authority, in a contract with those holders, and insofar as it relates to a federal agency, in a contract with that federal agency.

Search this disc for cases citing this section.

*13045 Alaska Stat. § 29.35.650

**WEST'S ALASKA STATUTES
TITLE 29. MUNICIPAL
GOVERNMENT
CHAPTER 35. MUNICIPAL
POWERS AND DUTIES
ARTICLE 9. PORT AUTHORITIES**

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

§ 29.35.650. Limitation of liability

A liability incurred by an authority shall be satisfied exclusively from the assets or revenue of the authority. A creditor or other person does not have a right of action against the state or a municipality participating in an authority because of a debt, obligation, or liability of an authority.

Search this disc for cases citing this section.

*13046 Alaska Stat. § 29.35.655

Sess.

WEST'S ALASKA STATUTES
TITLE 29. MUNICIPAL
GOVERNMENT
CHAPTER 35. MUNICIPAL
POWERS AND DUTIES
ARTICLE 9. PORT AUTHORITIES

Current through 1998 2nd Reg. Sess. and 1st Sp.

§ 29.35.655. Limitation on personal liability

A board member or employee of an authority is not subject to personal liability or accountability because of the execution or issuance of bonds.

Search this disc for cases citing this section.

*13047 Alaska Stat. § 29.35.660

**WEST'S ALASKA STATUTES
TITLE 29. MUNICIPAL
GOVERNMENT
CHAPTER 35. MUNICIPAL
POWERS AND DUTIES
ARTICLE 9. PORT AUTHORITIES**

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

§ 29.35.660. Fidelity bond

An authority shall obtain a fidelity bond in an amount determined by the board for board members and each executive officer responsible for accounts and finances of that authority. A fidelity bond must be in effect during the entire tenure in office of the bonded person.

Search this disc for cases citing this section.

*13048 Alaska Stat. § 29.35.665

WEST'S ALASKA STATUTES
TITLE 29. MUNICIPAL
GOVERNMENT
CHAPTER 35. MUNICIPAL
POWERS AND DUTIES
ARTICLE 9. PORT AUTHORITIES

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

§ 29.35.665. No taxing authority

An authority may not levy an income or other
tax.

Search this disc for cases citing this section.

*13049 Alaska Stat. § 29.35.670

**WEST'S ALASKA STATUTES
TITLE 29. MUNICIPAL
GOVERNMENT
CHAPTER 35. MUNICIPAL
POWERS AND DUTIES
ARTICLE 9. PORT AUTHORITIES**

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

§ 29.35.670. Exemption from taxation

(a) An authority exercising the powers granted by the enabling ordinance under AS 29.35.600 - 29.35.730 is in all respects for the benefit of the people of the municipalities participating in the authority and the people of the state in general, for their well-being and prosperity, and for the improvement of their social and economic condition. The real and personal property of an authority and its assets, income, and receipts are exempt from all taxes and special assessments of the state or a political subdivision of the state.

(b) Bonds issued by the authority under AS 29.35.625 are issued for an essential public and governmental purpose; therefore, the bonds, interest and income from them, and all fees, charges, funds, revenue, income, and other money pledged or available to pay or secure the payment of the bonds or interest on them are exempt from taxation except for inheritance, transfer, and estate taxes.

(c) Notwithstanding the provisions of (a) of this section, an authority and the municipalities participating in the authority may enter into agreements under which the authority agrees to pay the participating municipalities' payments in lieu of taxes and special assessments on real and personal property of the authority that is within the taxing jurisdiction of the municipality.

(d) Nothing in this section creates a tax exemption with respect to the interests of a business enterprise or other person, other than the authority, in property, assets, income, or receipts, whether or not financed under AS 29.35.600 - 29.35.730.

Search this disc for cases citing this section.

*13050 Alaska Stat. § 29.35.675

**WEST'S ALASKA STATUTES
TITLE 29. MUNICIPAL
GOVERNMENT
CHAPTER 35. MUNICIPAL
POWERS AND DUTIES
ARTICLE 9. PORT AUTHORITIES**

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

§ 29.35.675. Development plan

In the enabling ordinance establishing the

authority under AS 29.35.605 the authority shall
be

(1) required to submit a development plan to
the governing body of the municipality or
municipalities participating in the authority;
and

(2) prohibited from undertaking the
construction or acquisition of a project unless
the project appears in a development plan
submitted to and approved by the governing
body of the municipality or municipalities
participating in the authority.

Search this disc for cases citing this section.

*13051 Alaska Stat. § 29.35.680

**WEST'S ALASKA STATUTES
TITLE 29. MUNICIPAL
GOVERNMENT
CHAPTER 35. MUNICIPAL
POWERS AND DUTIES
ARTICLE 9. PORT AUTHORITIES**

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

**§ 29.35.680. Administration of port
authorities; board**

(a) An authority shall be governed by a board of directors, which shall exercise the powers of the authority. The enabling ordinance establishing the authority under AS 29.35.605 must specify the number, qualifications, manner of appointment or election, and terms of members of the board.

(b) The board shall appoint a chief executive officer of the authority who serves at the pleasure of the board. The board shall fix the compensation of the chief executive officer.

Search this disc for cases citing this section.

*13052 Alaska Stat. § 29.35.685

**WEST'S ALASKA STATUTES
TITLE 29. MUNICIPAL
GOVERNMENT
CHAPTER 35. MUNICIPAL
POWERS AND DUTIES
ARTICLE 9. PORT AUTHORITIES**

Current through 1998 2nd Reg. Sess. and 1st Sp. Sess.

§ 29.35.685. Continuation of collective bargaining agreements; application of AS 23.40.070 - 23.40.260

(a) A collective bargaining agreement for employees of the state or its political subdivisions who are transferred to an authority under AS 29.35.600 - 29.35.730 shall remain in effect for the term of the agreement or for a period of one year, whichever is longer, and shall be binding on the authority unless the parties agree to the contrary before the expiration of the agreement. A labor-

management negotiation impasse declared after a transfer of employees under this subsection but before the negotiation of a new collective bargaining agreement shall be resolved as provided in the collective bargaining agreement, except that if the collective bargaining agreement does not provide for a resolution, then as provided in AS 23.40.070 - 23.40.260.

(b) Employees of the state or a political subdivision of the state transferred to an authority shall retain, for a period of one year following the date of transfer or for the duration of a collective bargaining agreement transferred under (a) of this section, whichever is greater, all rights of participation in fringe benefit programs available to the employees on the day before the transfer, or in programs substantially equivalent.

(c) AS 23.40.070 - 23.40.260 apply to employees of an authority established under AS 29.35.600 - 29.35.730 unless all municipalities participating in the authority are exempt under sec. 4, ch. 113, SLA 1972.

Search this disc for cases citing this section.

*13053 Alaska Stat. § 29.35.690

WEST'S ALASKA STATUTES
TITLE 29. MUNICIPAL
GOVERNMENT
CHAPTER 35. MUNICIPAL
POWERS AND DUTIES
ARTICLE 9. PORT AUTHORITIES

Current through 1998 2nd Reg. Sess. and 1st Sp. Sess.

§ 29.35.690. Bylaws and regulations

(a) A board shall adopt bylaws and appropriate regulations consistent with the enabling ordinance to carry out its functions and purposes.

(b) A board shall adopt bylaws as soon after the establishment of the authority as possible and may from time to time, amend those bylaws. The bylaws may contain any provision not in conflict with law for the management of the business of the authority and for the conduct

of the affairs of the authority, including

(1) the time, place, and manner of calling, conducting, and giving notice of meetings of the board and committees of the board, if any;

(2) the compensation of directors, if any;

(3) the appointment and authority of committees of the board, if any;

(4) the appointment, duties, compensation, and tenure of officers, directors, chief executive officer, and other employees, if any;

(5) procedures for adopting regulations;

(6) procedures for adopting bylaws;

(7) procedures for making annual reports and financial statements; and

(8) other matters for the conduct of business by the board.

Search this disc for cases citing this section.

*13054 Alaska Stat. § 29.35.695

Sess.

**WEST'S ALASKA STATUTES
TITLE 29. MUNICIPAL
GOVERNMENT
CHAPTER 35. MUNICIPAL
POWERS AND DUTIES
ARTICLE 9. PORT AUTHORITIES**

**§ 29.35.695. Authority subject to public
records and open meetings laws**

An authority established under AS 29.35.605
is subject to AS 09.25.110 - 09.25.220 and to
AS 44.62.310 - 44.62.312.

Current through 1998 2nd Reg. Sess. and 1st Sp.

Search this disc for cases citing this section.

*13055 Alaska Stat. § 29.35.700

**WEST'S ALASKA STATUTES
TITLE 29. MUNICIPAL
GOVERNMENT
CHAPTER 35. MUNICIPAL
POWERS AND DUTIES
ARTICLE 9. PORT AUTHORITIES**

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

§ 29.35.700. Annual report

Within 90 days following the end of the fiscal year of an authority, the board shall distribute to the mayor and governing body of each municipality participating in the authority a report describing the operations and financial condition of the authority during the preceding fiscal year. The report may include suggestions for legislation relating to the structure, powers, or duties of the authority or operation of facilities of the authority. The report must itemize the cost of providing each category of service offered by the authority and the income generated by each category.

Search this disc for cases citing this section.

*13056 Alaska Stat. § 29.35.705

**WEST'S ALASKA STATUTES
TITLE 29. MUNICIPAL
GOVERNMENT
CHAPTER 35. MUNICIPAL
POWERS AND DUTIES
ARTICLE 9. PORT AUTHORITIES**

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

§ 29.35.705. Audits

(a) The board shall have the financial records of an authority audited annually by an independent certified public accountant.

(b) An authority shall make all of its financial records available to an auditor appointed by a municipality participating in the authority for examination.

Search this disc for cases citing this section.

*13057 Alaska Stat. § 29.35.710

WEST'S ALASKA STATUTES
TITLE 29. MUNICIPAL
GOVERNMENT
CHAPTER 35. MUNICIPAL
POWERS AND DUTIES
ARTICLE 9. PORT AUTHORITIES

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

§ 29.35.710. Remedies

A holder of bonds or notes or coupons
attached to the bonds issued by an authority

under AS 29.35.625, and a trustee under a trust
agreement or resolution authorizing the issuance
of the bonds, except as restricted by a trust
agreement or resolution, either at law or in
equity, may

(1) enforce all rights granted under AS
29.35.600 - 29.35.730, the trust agreement or
resolution, or another contract executed by the
authority; and

(2) compel the performance of all duties of the
authority required by AS 29.35.600 - 29.35.730
or the trust agreement or resolution.

Search this disc for cases citing this section.

*13058 Alaska Stat. § 29.35.715

**WEST'S ALASKA STATUTES
TITLE 29. MUNICIPAL
GOVERNMENT
CHAPTER 35. MUNICIPAL
POWERS AND DUTIES
ARTICLE 9. PORT AUTHORITIES**

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

§ 29.35.715. Claims

For the purpose of judicial and regulatory proceedings by and against an authority, an authority and its board members and employees enjoy the same rights, privileges, and immunities as a municipality and municipal officers.

Search this disc for cases citing this section.

AK ST § 29.35.720, Conflicting laws inapplicable

Page 26

*13059 Alaska Stat. § 29.35.720

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

**WEST'S ALASKA STATUTES
TITLE 29. MUNICIPAL
GOVERNMENT
CHAPTER 35. MUNICIPAL
POWERS AND DUTIES
ARTICLE 9. PORT AUTHORITIES**

§ 29.35.720. Conflicting laws inapplicable

If provisions of AS 29.35.600 - 29.35.730
conflict with other provisions of this title, the
provisions of AS 29.35.600 - 29.35.730 prevail.

Search this disc for cases citing this section.

*13060 Alaska Stat. § 29.35.722

**WEST'S ALASKA STATUTES
TITLE 29. MUNICIPAL
GOVERNMENT
CHAPTER 35. MUNICIPAL
POWERS AND DUTIES
ARTICLE 9. PORT AUTHORITIES**

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

**§ 29.35.722. Ownership or operation of
certain state facilities prohibited**

The state may not, without the approval of the

legislature,

(1) convey or transfer the Alaska marine highway system, the Anchorage or Fairbanks international airports, or any other state asset, except undeveloped state land as provided in AS 38.05.810 or surplus property, to an authority; or

(2) enter into an agreement with an authority under which the authority would operate the Alaska marine highway system, the Anchorage or Fairbanks international airports, or any other state facility, system, or function that employs one or more employees.

Search this disc for cases citing this section.

*13061 Alaska Stat. § 29.35.725

**WEST'S ALASKA STATUTES
TITLE 29. MUNICIPAL
GOVERNMENT
CHAPTER 35. MUNICIPAL
POWERS AND DUTIES
ARTICLE 9. PORT AUTHORITIES**

Current through 1998 2nd Reg. Sess. and 1st Sp. Sess.

§ 29.35.725. Definitions

In AS 29.35.600 - 29.35.730, unless the context otherwise requires,

- (1) "authority" means a port authority established under AS 29.35.605;
- (2) "board" means the board of directors of an authority;
- (3) "bonds" includes bonds, bond anticipation notes, notes, refunding bonds, or other forms of indebtedness of the authority;
- (4) "bylaws" or "bylaws of the authority" means the guidelines adopted by and amended by the board from time to time in accordance with AS 29.35.600 - 29.35.730;
- (5) "port" means a facility of transportation related commerce located within the state;
- (6) "project" means a port, dock, and administrative facilities, including property necessary in connection with the operation of a

port;

(7) "project cost" or "cost of a project" means all or any part of the aggregate costs determined by an authority to be necessary to finance the construction or acquisition of a project, including, without limitation to the cost of acquiring real property, the cost of constructing buildings and improvements, the cost of financing the project, including, without limitation, interest charges before, during, or after construction or acquisition of the project, costs related to the determination of the feasibility, planning, design, or engineering of the project and, to the extent determined necessary by the authority, administrative expenses, the cost of machinery or equipment to be used in the operation or rehabilitation of a port, and all other costs, charges, fees, and expenses that may be determined by the authority to be necessary to finance the construction or acquisition;

(8) "real property" or "land" means any interest in real property, including tidal and submerged land, and any right appurtenant to the interest, and without limitation, interests less than full title such as easements, uses, leases, and licenses;

(9) "regulation" means a standard of general application or the amendment, supplement, revision, or repeal of a standard adopted by an authority to implement, interpret, or make specific the law enforced or administered by it or to govern its procedure.

Search this disc for cases citing this section.

*13062 Alaska Stat. § 29.35.730

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

**WEST'S ALASKA STATUTES
TITLE 29. MUNICIPAL
GOVERNMENT
CHAPTER 35. MUNICIPAL
POWERS AND DUTIES
ARTICLE 9. PORT AUTHORITIES**

§ 29.35.730. Short title

AS 29.35.600 - 29.35.730 may be referred to
as the Municipal Port Authority Act.

Search this disc for cases citing this section.

*2989 Alaska Stat. § 09.55.240

WEST'S ALASKA STATUTES
TITLE 9. CODE OF CIVIL
PROCEDURE
CHAPTER 55. SPECIAL ACTIONS
AND PROCEEDINGS
ARTICLE 4. EMINENT DOMAIN

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

§ 09.55.240. Uses for which authorized;
rights-of-way

(a) The right of eminent domain may be exercised for the following public uses:

(1) all public uses authorized by the government of the United States;

(2) public buildings and grounds for the use of the state and all other public uses authorized by the legislature of the state;

(3) public buildings and grounds for the use of an organized or unorganized borough, city, town, village, school district, or other municipal division, whether incorporated or unincorporated; canals, aqueducts, flumes, ditches, or pipes conducting water, heat, or gas for the use of the inhabitants of an organized or unorganized borough, city, town, or other municipal division, whether incorporated or unincorporated; raising the banks of streams, removing obstructions from them and widening, deepening, or straightening their channels; roads, streets, and alleys, and all other public uses for the benefit of an organized or unorganized borough, city, town, or other municipal division whether incorporated or unincorporated, or its inhabitants, which may be authorized by the legislature;

(4) wharves, docks, piers, chutes, booms, ferries, bridges of all kinds, private roads, plant and turnpike roads, railroads, canals, ditches, flumes, aqueducts, and pipes for public

transportation, supplying mines and farming neighborhoods with water, and draining and reclaiming land, and for floating logs and lumber on streams not navigable, and sites for reservoirs necessary for collecting and storing water;

(5) roads, tunnels, ditches, flumes, pipes, and dumping places for working mines; also outlets, natural or otherwise, for the flow, deposit, or conduct of tailings or refuse matter from mines; also an occupancy in common by the owners or possessors of different mines of any place for the flow, deposit, or conduct of tailings or refuse matter from their several mines, and sites for reservoirs necessary for collecting and storing water;

(6) private roads leading from highways to residences, mines, or farms;

(7) telephone lines;

(8) telegraph lines;

(9) sewerage of an organized or unorganized borough, city, town, village, or other municipal division, whether incorporated or unincorporated, or a subdivision of it, or of a settlement consisting of not less than 10 families, or of public buildings belonging to the state or to a college or university;

*2990 (10) tramway lines;

(11) electric power lines;

(12) for the location of pipelines for gathering, transmitting, transporting, storing, or delivering natural or artificial gas or oil or any liquid or gaseous hydrocarbons, including, but not limited to, pumping stations, terminals, storage tanks, or reservoirs, and related installations.

(b) The use of water for mining, power, and municipal purposes and the use of pole and power lines for telephone and telegraph wires, for aerial trams, and for the transmission of electric light and electric power, by whomever

utilized, are each declared to be beneficial to the public and to be a public use within the provisions of AS 09.55.240 - 09.55.460. Rights-of-way across private property when they are necessary for the operation of the mine or other project in connection with which it is intended to be used may be condemned in the manner as for any other condemnation. The right-of-way may extend only to a right-of-way along, upon, and across the surface of the land to be condemned and to a strip of the land of sufficient width to permit the construction on the land of a ditch, flume, pipeline, canal, or

other means of conveying water as is adequate for the purposes intended, for the setting of poles or the construction of towers upon which to string wires for telephone and telegraph lines and lines for the transmission of electric light or power for the operation of aerial trams, and to permit maintaining the lines and keeping them in repair.

(c) Repealed.

Search this disc for cases citing this section.

*2991 Alaska Stat. § 09.55.250

**WEST'S ALASKA STATUTES
TITLE 9. CODE OF CIVIL
PROCEDURE
CHAPTER 55. SPECIAL ACTIONS
AND PROCEEDINGS
ARTICLE 4. EMINENT DOMAIN**

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

**§ 09.55.250. Classification of estates and
land subject to be taken**

The following is a classification of the estates
and rights in land subject to be taken for public
use:

(1) a fee simple, when taken for public

buildings or grounds, or for permanent
buildings, for reservoirs and dams and
permanent flooding occasioned by them, or for
an outlet for a flow, or a place for the deposit of
debris or tailings of a mine, or when, in the
judgment of the Department of Natural
Resources, or the Department of Transportation
and Public Facilities, a fee simple is necessary
for any of the purposes for which the
department, on behalf of the state, is authorized
by law to acquire real property by
condemnation;

(2) an easement when taken for any other use;

(3) the right of entry upon an occupation of
land, and the right to take from the land earth,
gravel, stones, trees, and timber as may be
necessary for a public use.

Search this disc for cases citing this section.

*2992 Alaska Stat. § 09.55.260

WEST'S ALASKA STATUTES
TITLE 9. CODE OF CIVIL
PROCEDURE
CHAPTER 55. SPECIAL ACTIONS
AND PROCEEDINGS
ARTICLE 4. EMINENT DOMAIN

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

§ 09.55.260. Private property subject to be
taken

The private property which may be taken
under AS 09.55.240 - 09.55.460 includes

- (1) all real property belonging to any person;
- (2) land belonging to the state or to an
organized or unorganized borough, city, town,
village, or other municipal division, whether
incorporated or unincorporated, not
appropriated to a public use;
- (3) property appropriated to public use, but the

property shall not be taken unless for a more
necessary purpose than that to which it has
already been appropriated;

(4) franchises for a public utility, but those
franchises shall not be taken unless for a more
necessary public use;

(5) all rights-of-way for any of the purposes
mentioned in AS 09.55.240, and the structures
and improvements on the rights-of-way, and the
land held and used in connection with them
shall be subject to be connected with, crossed,
or intersected by another right-of-way or
improvements or structures on them; they shall
also be subject to a limited use, in common with
the owner, when necessary; but the uses,
crossings, intersections, and connections shall
be made in the manner most compatible with
the greatest public benefit and least private
injury;

(6) all classes of private property not
enumerated may be taken for public use when
the taking is authorized by law.

Search this disc for cases citing this section.

*2993 Alaska Stat. § 09.55.265

**WEST'S ALASKA STATUTES
TITLE 9. CODE OF CIVIL
PROCEDURE
CHAPTER 55. SPECIAL ACTIONS
AND PROCEEDINGS
ARTICLE 4. EMINENT DOMAIN**

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

**§ 09.55.265. Taking of property under
reservation void**

After April 14, 1966, no agency of the state may take privately-owned property by the election or exercise of a reservation to the state acquired under the Act of June 30, 1932, ch. 320, § 5, as added July 24, 1947, ch. 313, 61 Stat. 418, and taking of property after April 14, 1966 by the election or exercise of a reservation to the state under that federal Act is void.

Search this disc for cases citing this section.

*2994 Alaska Stat. § 09.55.266

**WEST'S ALASKA STATUTES
TITLE 9. CODE OF CIVIL
PROCEDURE
CHAPTER 55. SPECIAL ACTIONS
AND PROCEEDINGS
ARTICLE 4. EMINENT DOMAIN**

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

§ 09.55.266. Existing rights not affected

AS 09.55.265 shall not be construed to divest the state of, or to require compensation by the state for, any right-of-way or other interest in real property which was taken by the state, before April 14, 1966, by the election or exercise of its right to take property through a reservation acquired under the Act of June 30, 1932, ch. 320, § 5, as added July 24, 1947, ch. 313, 61 Stat. 418.

Search this disc for cases citing this section.

*2995 Alaska Stat. § 09.55.270

WEST'S ALASKA STATUTES
TITLE 9. CODE OF CIVIL
PROCEDURE
CHAPTER 55. SPECIAL ACTIONS
AND PROCEEDINGS
ARTICLE 4. EMINENT DOMAIN

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

§ 09.55.270. Prerequisites

Before property can be taken, it shall appear
that

(1) the use to which it is to be applied is a use
authorized by law;

(2) the taking is necessary to the use;

(3) if already appropriated to a public use, the
public use to which it is to be applied is a more
necessary public use.

Search this disc for cases citing this section.

*2996 Alaska Stat. § 09.55.275

WEST'S ALASKA STATUTES
TITLE 9. CODE OF CIVIL
PROCEDURE
CHAPTER 55. SPECIAL ACTIONS
AND PROCEEDINGS
ARTICLE 4. EMINENT DOMAIN

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

§ 09.55.275. Replat approval

An agency of the state or municipality may not acquire property located within a municipality exercising the powers conferred by AS

29.35.180 or 29.35.260(c) that results in a boundary change unless the agency or municipality first obtains from the municipal platting authority preliminary approval of a replat showing clearly the location of the proposed public streets, easements, rights-of-way, and other taking of private property. Final approval of replat shall be similarly obtained. However, if a state agency clearly demonstrates an overriding state interest, a waiver to the approval requirements of this section may be granted by the governor. The platting authority shall treat applications for replat made by state or local governmental agencies in the same manner as replat petitions originated by private landowners.

Search this disc for cases citing this section.

*2997 Alaska Stat. § 09.55.280

**WEST'S ALASKA STATUTES
TITLE 9. CODE OF CIVIL
PROCEDURE
CHAPTER 55. SPECIAL ACTIONS
AND PROCEEDINGS
ARTICLE 4. EMINENT DOMAIN**

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

§ 09.55.280. Entry upon land

In all cases where land is required for public use, the state, the public entity, or persons having the authority to condemn, or its agents in charge of the use may enter upon the land and make examination, surveys, and maps and locate the boundaries; but it shall be located in the manner that will be most compatible with the greatest public good and the least private injury, and subject to the provisions of AS 09.55.300. The entry shall constitute no cause of action in favor of the owners of the land except for injuries resulting from negligence, wantonness, or malice.

Search this disc for cases citing this section.

*2998 Alaska Stat. § 09.55.290

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

WEST'S ALASKA STATUTES
TITLE 9. CODE OF CIVIL
PROCEDURE
CHAPTER 55. SPECIAL ACTIONS
AND PROCEEDINGS
ARTICLE 4. EMINENT DOMAIN

§ 09.55.290. Jurisdiction

Eminent domain proceedings may be
commenced in the superior court.

Search this disc for cases citing this section.

*2999 Alaska Stat. § 09.55.300

WEST'S ALASKA STATUTES
TITLE 9. CODE OF CIVIL
PROCEDURE
CHAPTER 55. SPECIAL ACTIONS
AND PROCEEDINGS
ARTICLE 4. EMINENT DOMAIN

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

§ 09.55.300. Powers of court

(a) The court has power

(1) to regulate and determine the place and manner of making the connections and crossings or of enjoying the common uses mentioned in AS 09.55.260(5), and of the occupying of

canyons, passes, and defiles for railroad purposes, as permitted and regulated by law;

(2) to limit the amount of property sought to be condemned if, in its opinion, the quantity sought to be condemned is not necessary.

(b) If the court determines that the property is to be taken for a public use, and if all parties to the action do not object, the court shall appoint a master to determine the amount to be paid by the plaintiffs to each owner or other person interested in the property as compensation and damages by reason of the appropriation of the property. If all parties to the action object to the appointment of a master the court shall proceed with a jury trial, unless the jury is waived by all parties to the action.

Search this disc for cases citing this section.

*3000 Alaska Stat. § 09.55.310

**WEST'S ALASKA STATUTES
TITLE 9. CODE OF CIVIL
PROCEDURE
CHAPTER 55. SPECIAL ACTIONS
AND PROCEEDINGS
ARTICLE 4. EMINENT DOMAIN**

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

§ 09.55.310. Hearing

(a) The jury or master shall hear the allegations and evidence of persons interested and shall ascertain and assess the following:

(1) the value of the property sought to be condemned, and all improvements on it pertaining to the realty, and of each separate estate or interest in it; if it consists of different parcels, the value of each parcel and each estate or interest in each parcel shall be separately assessed;

(2) if the property sought to be condemned constitutes only a part of a larger parcel, the damages that will accrue to the portion not

sought to be condemned by reason of its severance from the portion sought to be condemned, and the construction of the improvements in the manner proposed by the plaintiff;

(3) separately, how much the portion not sought to be condemned and each estate or interest in it will be benefited, if at all, by the construction of the improvements proposed by the plaintiff; and, if the benefit is equal to the damages assessed under (2) of this section, the owner of the parcel shall be allowed no damages except the value of the portion taken; but if the benefits are less than the damages so assessed, the former shall be deducted from the latter and the remainder shall be the only damages allowed in addition to the value;

(4) if the property sought to be condemned is for a railroad, the cost of good and sufficient fences along the line of the railroad, and the cost of cattle guards where fences may cross the line of the railroad.

(b) As far as practicable, compensation shall be assessed for each source of damages separately.

Search this disc for cases citing this section.

*3001 Alaska Stat. § 09.55.320

**WEST'S ALASKA STATUTES
TITLE 9. CODE OF CIVIL
PROCEDURE
CHAPTER 55. SPECIAL ACTIONS
AND PROCEEDINGS
ARTICLE 4. EMINENT DOMAIN**

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

**§ 09.55.320. Right to jury trial as to
damages and value of property**

An interested party may appeal the master's award of damages and valuation of the property, in which case there shall be a trial by jury on the question of the amount of damages and the value of the property, unless the jury is waived by the consent of all parties to the appeal.

Search this disc for cases citing this section.

*3002 Alaska Stat. § 09.55.330

**WEST'S ALASKA STATUTES
TITLE 9. CODE OF CIVIL
PROCEDURE
CHAPTER 55. SPECIAL ACTIONS
AND PROCEEDINGS
ARTICLE 4. EMINENT DOMAIN**

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

§ 09.55.330. Compensation and damages

For the purpose of assessing compensation and

damages, the right to them accrues at the date of issuance of the summons, and its actual value at that date is the measure of compensation of the property to be actually taken, and the basis of damages to property not actually taken but injuriously affected in the cases where the damages are allowed. If an order is made letting the plaintiff into possession, as provided in AS 09.55.380, the compensation and damages awarded shall draw lawful interest from the date of the order. Improvements put upon the property after the date of the service of summons may not be included in the assessment of compensation or damages.

Search this disc for cases citing this section.

*3003 Alaska Stat. § 09.55.340

Sess.

**WEST'S ALASKA STATUTES
TITLE 9. CODE OF CIVIL
PROCEDURE
CHAPTER 55. SPECIAL ACTIONS
AND PROCEEDINGS
ARTICLE 4. EMINENT DOMAIN**

Current through 1998 2nd Reg. Sess. and 1st Sp.

§ 09.55.340. Defective title

If the title attempted to be acquired is found to be defective from any cause, the plaintiff may again institute proceedings to acquire the same as provided in AS 09.55.240 - 09.55.460.

Search this disc for cases citing this section.

*3004 Alaska Stat. § 09.55.350

**WEST'S ALASKA STATUTES
TITLE 9. CODE OF CIVIL
PROCEDURE
CHAPTER 55. SPECIAL ACTIONS
AND PROCEEDINGS
ARTICLE 4. EMINENT DOMAIN**

Current through 1998 2nd Reg. Sess. and 1st Sp. Sess.

§ 09.55.350. Time for paying compensation or damages and bond to build railroad fences and cattle guards

The plaintiff shall, within 30 days after final judgment, pay the sum of money assessed. If the use is for railroad purposes, the plaintiff may, at the time of or before the payment, elect to build the fences and cattle guards. If the plaintiff so elects, the plaintiff shall execute to the defendant a bond, with one or more sureties to be approved by the court, in double the assessed cost of the same to build such fences and cattle guards within eight months from the time the railroad is built on the land taken. If the bond is given, the plaintiff need not pay the cost of the fences and cattle guards. In an action on the bond, the plaintiff may recover reasonable attorney fees.

Search this disc for cases citing this section.

*3005 Alaska Stat. § 09.55.360

**WEST'S ALASKA STATUTES
TITLE 9. CODE OF CIVIL
PROCEDURE
CHAPTER 55. SPECIAL ACTIONS
AND PROCEEDINGS
ARTICLE 4. EMINENT DOMAIN**

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

**§ 09.55.360. Payment or deposit and
execution**

Payment may be made to the defendants entitled to payment, or the money may be deposited in court for the defendants and be distributed to those entitled to it. If the money is not so paid or deposited, the defendants may have execution as in civil cases. If the money cannot be obtained on execution, the court, upon a showing to that effect, shall set aside and annul the entire proceedings and restore possession of the property to the defendants if possession has been taken by the plaintiff.

Search this disc for cases citing this section.

*3006 Alaska Stat. § 09.55.370

WEST'S ALASKA STATUTES
TITLE 9. CODE OF CIVIL
PROCEDURE
CHAPTER 55. SPECIAL ACTIONS
AND PROCEEDINGS
ARTICLE 4. EMINENT DOMAIN

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

§ 09.55.370. Final order of condemnation

When payments have been made and the bond given, if the plaintiff elects to give one as required by AS 09.55.350, the court shall make a final order of condemnation, which shall describe the property condemned and the purposes of the condemnation. A copy of the order shall be recorded in the office of the recording district where the land is located, at which time the property described in the order vests in the plaintiff for the purposes specified in the order.

Search this disc for cases citing this section.

*3007 Alaska Stat. § 09.55.380

WEST'S ALASKA STATUTES
TITLE 9. CODE OF CIVIL
PROCEDURE
CHAPTER 55. SPECIAL ACTIONS
AND PROCEEDINGS
ARTICLE 4. EMINENT DOMAIN

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

**§ 09.55.380. Order authorizing plaintiff to
continue in or take possession**

Upon application of the plaintiff at any time after the jury's verdict has been returned or the master's report has been filed in the court, the court may make an order that, upon payment into court of the amount of damages assessed in the report or by the jury, the plaintiff, if already in possession of the property sought to be condemned, may continue in possession and, if not in possession, the court may authorize the plaintiff to take possession of the property and use and possess it until the final conclusion of the proceedings, and that all actions and proceedings against the plaintiff on that account be stayed until that time. However, where an appeal is taken by the defendant, the court may also require the plaintiff to give a bond or undertaking with sufficient sureties before continuing or taking possession. The bond or undertaking shall be approved by the court and

shall be in the sum the court may direct, and conditioned to pay defendant any additional damages and costs given by the judgment over and above the amount assessed, and the damages which defendant sustains if the property is not taken for public uses. For the purposes of this section the amount assessed as damages in the report or by the jury is considered as just compensation for the property appropriated until reassessed or changed in further proceedings. However, the plaintiff, by payment into court of the amount assessed or by giving security as above provided, is not precluded from an appeal, but may appeal in the manner and with the effect as if no money had been deposited or security given. If the plaintiff deposits the amount of the assessment and continues in possession or takes possession of the property and there is no dispute as to the ownership of the property, the defendant may at any time demand and receive from the court the money deposited, and the demand or receipt does not bar or preclude the defendant from the right of appeal. However, if the amount of the assessment is reduced on appeal by either party, the defendant who has received the amount of the assessment deposited is liable to the plaintiff for the difference between the amount received by the defendant and the amount finally assessed with legal interest from the time the defendant received the money deposited, and it may be recovered by action.

Search this disc for cases citing this section.

*3008 Alaska Stat. § 09.55.390

WEST'S ALASKA STATUTES
TITLE 9. CODE OF CIVIL
PROCEDURE
CHAPTER 55. SPECIAL ACTIONS
AND PROCEEDINGS
ARTICLE 4. EMINENT DOMAIN

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

**§ 09.55.390. Acquisition of easements and
additional powers of the court to
require surrender of possession to
plaintiff**

The right to take possession under this section is in addition to any other right to take possession provided in AS 09.55.240 - 09.55.460. In proceedings for the acquisition of

easements for the transmission and distribution of electric energy, communications, water, steam, and gas, the court may, upon motion and after a hearing, fix the time during which and the terms upon which the parties in possession are required to surrender possession to the plaintiff. If the court finds that urgent public necessity requires, it may grant the plaintiff possession at any time after the action has been commenced. Notice of the hearing shall be as provided in the Alaska Rules of Civil Procedure, except that, where service by publication is required, notice may be given at any time following the date of the last publication by registered mail addressed to the defendant and to parties in possession at their last known addresses as shown on the latest tax roll of the political subdivision in which the premises are located or as indicated by other evidence that shall be satisfactory to the court.

Search this disc for cases citing this section.

*3009 Alaska Stat. § 09.55.400

**WEST'S ALASKA STATUTES
TITLE 9. CODE OF CIVIL
PROCEDURE
CHAPTER 55. SPECIAL ACTIONS
AND PROCEEDINGS
ARTICLE 4. EMINENT DOMAIN**

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

**§ 09.55.400. Deposit into court of
estimated compensation and damages;
costs and fees**

The order given under AS 09.55.390 requiring
the parties in possession to surrender possession

to the plaintiff shall require that the plaintiff
deposit with the clerk of the court an amount of
money determined by the court fairly to
represent the estimated compensation and the
estimated damages to the defendant and for the
speedy occupation, including reasonable
relocation costs if required. In addition the
court shall include in its order a further
requirement that the plaintiff execute and file
with the clerk of the court a bond, approved as
to form and as to sufficiency of the sureties by
the court, in an amount equal to the amount of
money required to be deposited, conditioned
upon payment to the defendant of additional
damages and costs found to be due to the
defendant in the action. Costs or attorney fees
may not be assessed against the defendant in an
action brought under AS 09.55.390.

Search this disc for cases citing this section.

*3010 Alaska Stat. § 09.55.410

party in interest

**WEST'S ALASKA STATUTES
TITLE 9. CODE OF CIVIL
PROCEDURE
CHAPTER 55. SPECIAL ACTIONS
AND PROCEEDINGS
ARTICLE 4. EMINENT DOMAIN**

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

§ 09.55.410. Withdrawal of funds by

The money deposited in the court or a part of it may be withdrawn by a party in interest in the manner provided in AS 09.55.440, and the court shall have the power to direct the payment of delinquent taxes and special assessments out of the amount determined to be just compensation and to make orders with respect to encumbrances, liens, rents, insurance, and other charges as are just and equitable.

Search this disc for cases citing this section.

*3011 Alaska Stat. § 09.55.420

**WEST'S ALASKA STATUTES
TITLE 9. CODE OF CIVIL
PROCEDURE
CHAPTER 55. SPECIAL ACTIONS
AND PROCEEDINGS
ARTICLE 4. EMINENT DOMAIN**

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

**§ 09.55.420. Declaration of taking by state
or municipality**

(a) Where a proceeding is instituted under AS 09.55.240 - 09.55.460 by the state, it may file a declaration of taking with the complaint or at any time after the filing of the complaint, but before judgment. Where a proceeding is instituted under AS 09.55.240 - 09.55.460 by a municipality in the exercise of eminent domain for street or highway, off-street automobile parking facilities, school, sewer, water,

telephone, electric, other utility, and slum clearance purposes or use granted to cities of the first class, the governing body of the municipality may exercise the power through the filing of a declaration of taking with the complaint or at any time after the filing of the complaint, but before judgment. The declaration of taking procedure may not be used with relation to the property of rural electrification or telephone cooperatives or nonprofit associations receiving financial assistance from the federal government under the Rural Electrification Act; provided that no declaration of taking for off-street parking purposes may be used unless there has been public notice by publication in a newspaper of general circulation in the area for not less than once a week for four consecutive weeks followed by a full and complete public hearing held before the governing body of the first class city or municipality.

(b) Repealed.

Search this disc for cases citing this section.

*3012 Alaska Stat. § 09.55.430

WEST'S ALASKA STATUTES
TITLE 9. CODE OF CIVIL
PROCEDURE
CHAPTER 55. SPECIAL ACTIONS
AND PROCEEDINGS
ARTICLE 4. EMINENT DOMAIN

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

§ 09.55.430. Contents of declaration of
taking

The declaration of taking must contain

- (1) a statement of the authority under which the property or an interest in it is taken;
- (2) a statement of the public use for which the

property or an interest in it is taken;

(3) a description of the property sufficient for the identification of it;

(4) a statement of the estate or interest in the property;

(5) a map or plat showing the location of the property;

(6) a statement of the amount of money estimated by the plaintiff to be just compensation for the property or the interest in it;

(7) a statement that the property is taken by necessity for a project located in a manner that is most compatible with the greatest public good and the least private injury.

Search this disc for cases citing this section.

*3013 Alaska Stat. § 09.55.440

WEST'S ALASKA STATUTES
TITLE 9. CODE OF CIVIL
PROCEDURE
CHAPTER 55. SPECIAL ACTIONS
AND PROCEEDINGS
ARTICLE 4. EMINENT DOMAIN

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

§ 09.55.440. Vesting of title and
compensation

(a) Upon the filing of the declaration of taking and the deposit with the court of the amount of the estimated compensation stated in the declaration, title to the estate as specified in the declaration vests in the plaintiff, and that property is condemned and taken for the use of the plaintiff, and the right to just compensation for it vests in the persons entitled to it. The compensation shall be ascertained and awarded

in the proceeding and established by judgment. The judgment must include interest at the rate of 10.5 percent a year on the amount finally awarded that exceeds the amount paid into court under the declaration of taking. The interest runs from the date title vests to the date of payment of the judgment.

(b) Upon motion of a party in interest and notice to all parties, the court may order that the money deposited or a part of it be paid immediately to the person or persons entitled to it for or on account of the just compensation to be awarded in the proceedings. If the compensation finally awarded exceeds the amount of money deposited, the deposit shall be offset against the award. If the compensation finally awarded is less than the amount of money deposited, the court shall enter judgment in favor of the plaintiff and against the proper parties for the amount of the excess.

Amended by Laws 1997, c. 26, § 21, eff. Aug. 7, 1997.

Search this disc for cases citing this section.

*3014 Alaska Stat. § 09.55.450

**WEST'S ALASKA STATUTES
TITLE 9. CODE OF CIVIL
PROCEDURE
CHAPTER 55. SPECIAL ACTIONS
AND PROCEEDINGS
ARTICLE 4. EMINENT DOMAIN**

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

§ 09.55.450. Right of entry and possession

(a) Upon the filing of the declaration of taking and the deposit of the estimated compensation, the court may, upon motion, fix the time during which and the terms upon which the parties in possession are required to surrender possession to the petitioner. However, the right of entry shall not be granted the plaintiff until after the running of the time for the defendant to file an objection to the declaration of taking or until

after the hearing on any objection to the declaration of taking if the objection is made in the time allowed by law. Where the party in possession withdraws any part of the award and remains in possession, the court may fix a reasonable rental for the premises to be paid by that party to the plaintiff during such possession.

(b) The court may direct the payment of delinquent taxes and special assessments out of the amount determined to be just compensation, and make orders with respect to encumbrances, liens, rents, insurance, and other charges as are just and equitable.

(c) The right to take possession and title in advance of final judgment where a declaration of taking is filed is in addition to any other rights to take possession provided in AS 09.55.240 - 09.55.460.

Search this disc for cases citing this section.

*3015 Alaska Stat. § 09.55.460

**WEST'S ALASKA STATUTES
TITLE 9. CODE OF CIVIL
PROCEDURE
CHAPTER 55. SPECIAL ACTIONS
AND PROCEEDINGS
ARTICLE 4. EMINENT DOMAIN**

*Current through 1998 2nd Reg. Sess. and 1st Sp.
Sess.*

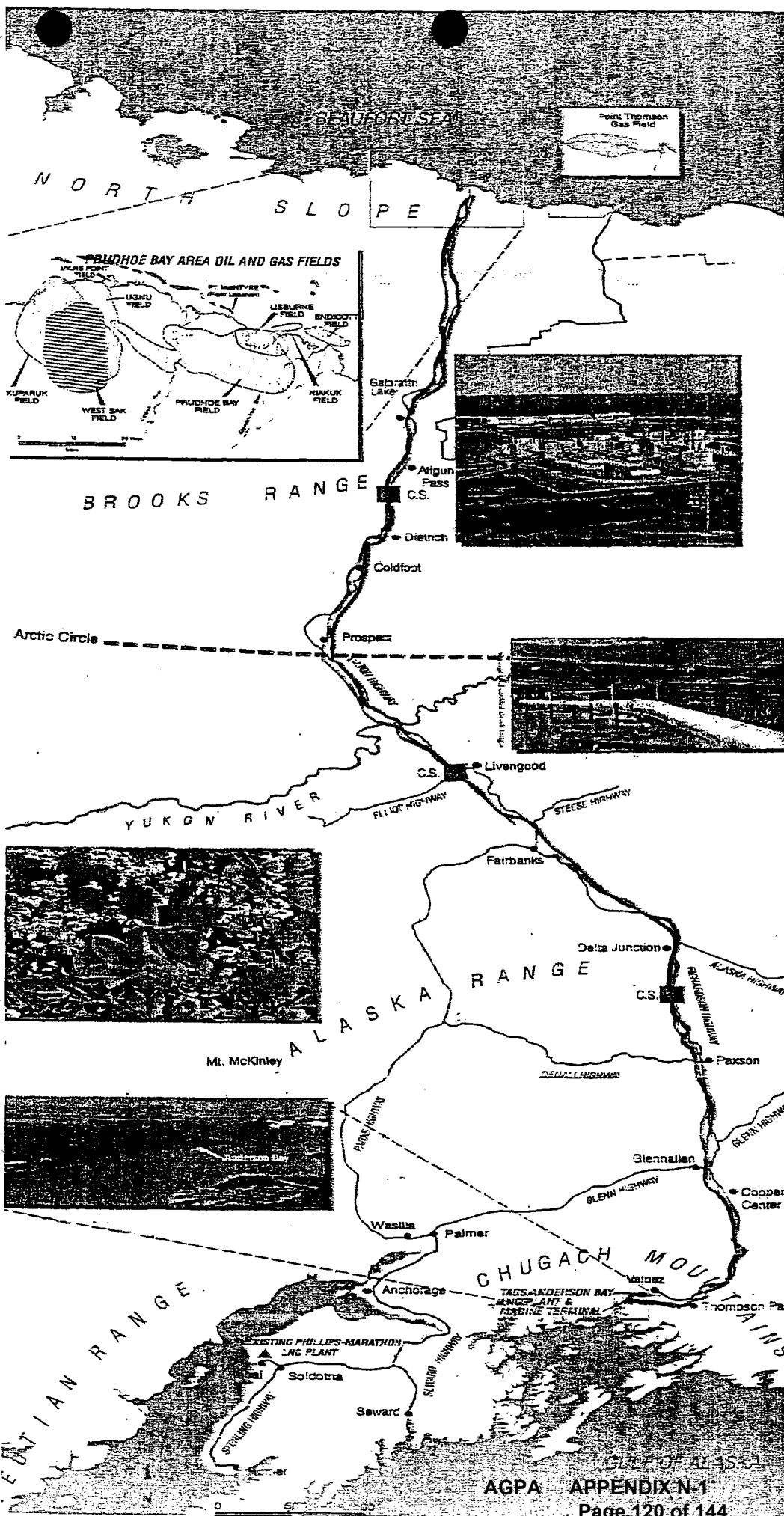
§ 09.55.460. Effect of appeal

(a) An appeal or a bond or undertaking given does not operate to prevent or delay the vesting of title to real property or the right to possession of it.

(b) The plaintiff may not be divested of a title

or possession acquired except where the court finds that the property was not taken by necessity for a public use or purpose in a manner compatible with the greatest public good and the least private injury. In the event of that finding, the court shall enter the judgment necessary to (1) compensate the persons entitled to it for the period during which the property was in the possession of the plaintiff, (2) recover for the plaintiff any award paid to any person, and (3) order the plaintiff to restore the property to the condition in which it existed at the time of the filing of the declaration of taking unless such restoration is impossible, in which case the court shall award damages to the proper persons as compensation for any diminution in the value of the property caused by the plaintiff's wrongful possession.

Search this disc for cases citing this section.



ALASKA GASLINE PORT AUTHORITY

BY-LAWS

TABLE OF CONTENTS

	Page
ARTICLE I. OFFICES.....	1
Section 1. Principal Office.....	1
Section 2. Other Offices.....	1
ARTICLE II. PARTICIPATING MUNICIPALITIES.....	1
ARTICLE III. BOARD OF DIRECTORS.....	1
Section 1. Powers.....	1
Section 2. Governing Board	2
Section 3. Vacancies.....	2
Section 4. Place of Meeting	3
Section 5. Annual Meetings.....	3
Section 6. Regular Meetings.....	3
Section 7. Special Meetings.....	3
Section 8. Open Meeting Laws.....	3
Section 9. Quorum.....	3
Section 10. Participation in Meetings by Conference Telephone.....	4
Section 11. Waiver of Notice.....	4
Section 12. Committees	4
Section 13. Fees and Compensation	4
ARTICLE IV. OFFICERS.....	5
Section 1. Officers	5
Section 2. Election	5
Section 3. Subordinate Officers	5
Section 4. Removal and Resignation	5
Section 5. Vacancies.....	5
Section 6. Chairman of the Board.....	5
Section 7. Vice Chairmen	5
Section 8. Secretary	6
Section 9. Treasurer	6
Section 10. Executive Director	6
ARTICLE V. OTHER PROVISIONS.....	6
Section 1. Endorsement of Documents; Contracts.....	6
Section 2. Public Records Law.....	7
Section 3. Rules of Procedure	7
Section 4. Audits.....	7
Section 5. Annual Report.....	7
Section 6. Amendments	7
ARTICLE VI. INDEMNIFICATION.....	7
Section 1. Coverage	7
Section 2. Insurance.....	8
ARTICLE VII. EMERGENCY PROVISIONS.....	8

BY-LAWS
for the regulation, except
as otherwise provided by statute or
its Authorizing Ordinance,
of the

ALASKA GASLINE PORT AUTHORITY

An Alaska Port Authority

Created Pursuant to A.S. 29.35.600, *et. seq.*

ARTICLE I

OFFICES

Section 1. Principal Office. The Authority's principal office is fixed and located at 550 W. 7th Avenue Suite 1850, Anchorage, Alaska 99501.

The Board of Directors (herein called the "Board") is granted full power and authority to change said principal office from one location to another. Any such change shall be noted on the Bylaws opposite this Section, or this Section may be amended to state the new location.

Section 2. Other Offices. Branch or subordinate offices may be established at any time by the Board at any place or places.

ARTICLE II

PARTICIPATING MUNICIPALITIES

Municipalities have become a Participating Municipality as provided in the Ordinances (the "Authorizing Ordinance") creating the Authority, adopted and approved by the voters of the City of Valdez, Fairbanks North Star Borough and North Slope Borough on October 5, 1999, pursuant to the Municipal Port Authority Act (AS 29.35.600 *et seq.*) (the "Act").

ARTICLE III

BOARD OF DIRECTORS

Section 1. Powers. Subject to limitations of the Alaska Statute (A.S. 29.35.60, *et. seq.*), Authorizing Ordinance and these Bylaws, the activities and affairs of the Authority shall be conducted and all powers shall be exercised by or under the direction of the Board. The Board

may delegate the management of the activities of the Authority to any person or persons, a management company or committees however composed, provided that the activities and affairs of the Authority shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board. Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the Board shall have the following powers in addition to the other powers enumerated in these Bylaws:

(a) To select and remove all the officers, agents and employees of the Authority, prescribe powers and duties for them as may not be inconsistent with law, the Authorizing Ordinance or these Bylaws, fix their compensation and require from them security for faithful service.

(b) To conduct, manage and control the affairs and activities of the Authority and to make such rules and regulations therefor not inconsistent with law, the Authorizing Ordinance or these Bylaws, as the Board may deem best.

(c) To adopt, make and use a seal and to alter the form of such seal from time to time as the Board may deem best.

(d) To borrow money and incur indebtedness for the purposes of the Authority, and to cause to be executed and delivered therefor, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and securities therefor.

Section 2. Governing Board.

Each Original Municipality shall appoint three (3) members to the Board, each serving in his or her individual capacity as a member of the Board. Each member of the Board shall serve for a term of four (4) years. Any appointment to fill an unexpired term shall be for the remainder of such unexpired term. The terms of office specified above shall be applicable unless the term of office of the respective member is terminated as hereinafter provided.

Each member of the Board shall be a registered voter, reside within the State of Alaska, and serve at the pleasure of the governing body of the original Municipality by whom such member was appointed. The term of office of any member of the Board appointed by an original Municipality may be terminated at any time by a majority vote of the governing body of such original Municipality which appointed such member.

The initial term shall be staggered with one member for each original Municipality serving for a two year term, one member for each original Municipality serving for three years and the remaining member for each original Municipality serving for four years.

Section 3. Vacancies. Subject to the provisions of the Authorizing Ordinance, any director may resign effective upon giving written notice to the Chairman of the Board, or the Secretary of the Board, unless the notice specifies a later time for the effectiveness of such resignation.

Vacancies in the Board shall remain unfilled until a new member of the Board is appointed to fill such vacancy, as provided in the Authorizing Ordinance.

A vacancy or vacancies in the Board shall be deemed to exist in case of the death, resignation or removal of any director or if the authorized number of directors are increased.

The Board may declare vacant the office of a director who has been declared of unsound mind by a final order of court, or convicted of a felony.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of the director's term of office.

Section 4. Place of Meeting. Meetings of the Board shall be held at any place within or without the State of Alaska which has been designated from time to time by the Board. In the absence of such designation, regular meetings shall be held at the principal office of the Authority.

Section 5. Annual Meetings. The Board shall hold an annual meeting for the purpose of organization, selection of directors and officers and the transaction of other business. Annual meetings of the Board shall be held on or about the first day of November of each year at 9:00 a.m., local time; provided, however, should said day fall upon a holiday observed by the Authority at its principal office, then said meeting shall be held at the same time on the next day thereafter ensuing which is a full business day. Public notice of annual meetings shall be given pursuant to AS 44.62.310.

Section 6. Regular Meetings. Regular meetings of the Board shall be held on such dates and at such times as may be fixed by the Board. Public notice will be given regarding all meetings as required by AS 44.62.310.

Section 7. Special Meetings. Special meetings of the Board for any purpose or purposes may be called at any time by the Chairman of the Board, any Vice Chairman, the Secretary or any two directors.

Special meetings of the Board shall be held upon three (3) days' notice by first-class mail or 24 hours' notice given personally or by telephone, facsimile, telex or other similar means of communication. Any such notice shall be addressed or delivered to each director at such director's address as it is shown upon the records of the Authority or as may have been given to the Authority by the director for purposes of notice or, if such address is not shown on such records or is not readily ascertainable, at the place in which the meetings of the directors are regularly held. Public notice for all special meetings shall be given pursuant to AS 44.62.310-AS 44.62.312.

Section 8. Open Meeting Laws. All meetings of the Board shall be subject to, and held in conformity with, the provisions of AS 44.62.310 – AS 44.62.312.

Section 9. Quorum. A majority of the authorized number of directors constitutes a quorum of the Board for the transaction of business, except to adjourn as provided in Section

12 of this Article III. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board, unless a greater number be required by law or by the Authorizing Ordinance.

Section 10. Participation in Meetings by Conference Telephone. Members of the Board may participate in a meeting through use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another, and so long as the public is capable of determining the vote of each member attending by phone.

Section 11. Waiver of Notice. Notice of a meeting need not be given to any director who signs a waiver of notice or a written consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such director. All such waivers, consents and approvals shall be filed with the Authority records or made a part of the minutes of the meetings. However, notice of meetings must comply with the open-meetings laws found in AS 44.62.310 - AS 44.62.312.

Section 12. Committees. The Board may appoint one or more committees, each consisting of two or more directors, and delegate to such committees any of the authority of the Board except with respect to:

- (a) The fixing of compensation of the directors for serving on the Board or on any committee;
- (b) The amendment or repeal of Bylaws or the adoption of new Bylaws;
- (c) The amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable; or
- (d) The appointment of other committees of the Board or the members thereof.

Any such committee must be created, and the members thereof appointed, by resolution adopted by a majority of the authorized number of directors then in office, provided a quorum is present, and any such committee may be designated an Executive Committee or by such other name as the Board shall specify. The Board may appoint, in the same manner, alternate members of any committee who may replace any absent member at any meeting of the committee. The Board shall have the power to prescribe the manner in which proceedings of any such committee shall be conducted. In the absence of any such prescription, such committee shall have the power to prescribe the manner in which its proceedings shall be conducted. Unless the Board or such committee shall otherwise provide, the regular and special meetings and other actions of any such committee shall be governed by the provisions of this Article III applicable to meetings and actions of the Board. Minutes shall be kept of each meeting of each committee.

Section 13. Fees and Compensation. Directors and members of committees may receive such compensation, if any, for their services, and such reimbursement for expenses, as may be fixed or determined by the Board.

ARTICLE IV

OFFICERS

Section 1. Officers. The officers of the Authority shall be a Chairman, a Vice-Chairman, a Secretary and a Treasurer. The Authority may also have, at the discretion of the Board, one or more Vice Chairmen, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers as may be elected or appointed in accordance with the provisions of Section 3 of this Article IV. Any number of offices may be held by the same person, with the exception of the Chairman and Secretary.

Section 2. Election. The officers of the Authority, except such officers as may be elected or appointed in accordance with the provisions of Section 3 of this Article IV, shall be chosen annually by, and shall serve at the pleasure of, the Board, and shall hold their respective offices until their resignation, removal, or other disqualification from service, or until their respective successors shall be elected.

Section 3. Subordinate Officers. The Board shall elect, and may empower the Chairman to appoint, such other officers as the business of the Authority may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these Bylaws or as the Board may from time to time determine.

Section 4. Removal and Resignation. Any officer may be removed, either with or without cause, by the Board at any time or, except in the case of an officer chosen by the Board, by any officer upon whom such power of removal may be conferred by the Board. Any such removal shall be without prejudice to the rights, if any, of the officer under any contract of employment of the officer.

Any officer may resign at any time by giving written notice to the Authority, but without prejudice to the rights, if any, of the Authority under any contract to which the officer is a party. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 5. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular election or appointment to such office, provided that such vacancies shall be filled as they occur and not on an annual basis.

Section 6. Chairman of the Board. The Chairman shall preside at all meetings of the Board. The Chairman may have such other powers and duties as may be prescribed by the Board.

Section 7. Vice Chairmen. In the absence or disability of the Chairman, the Vice Chairmen, if any be appointed, in order of their rank as fixed by the Board or, if not ranked,

reasonably incurred in connection with such action, suit or proceeding; and the Board may, at any time, approve indemnification of any other person which the Authority has the power to indemnify. The indemnification provided by this Section shall not be deemed exclusive or any other rights to which a person may be entitled as a matter of law or by contract. The Authority reserves the right to select legal counsel for such defense and indemnification.

Section 2. Insurance. The Authority shall have power to purchase and maintain insurance on behalf of all directors and officers and shall have the power to purchase insurance on behalf of any agent of the Authority against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such whether or not the Authority would have the power to indemnify the agent against such liability under the provisions of this Article VI.

ARTICLE VII

EMERGENCY PROVISIONS

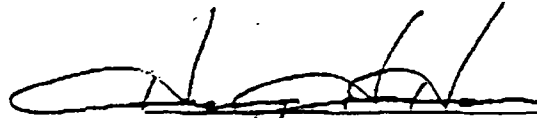
During any emergency resulting from an attack on the United States or on a locality in which the Authority conducts its activities or customarily holds meetings of its Board, or during any nuclear or atomic disaster, or during the existence of any catastrophe, or other similar emergency condition, as a result of which a quorum of the Board or of the Executive Committee, if any, cannot readily be convened for action, a meeting of the Board or of said committee may be called by any officer or director. Such notice need be given only to such of the directors or members of the committee, as the case may be, as it may be feasible to reach at the time and by such means as may be feasible at the time including, without limitation, publication or radio.

The director or directors in attendance at the meeting of the Board, and the member or members of the Executive Committee, if any, in attendance at the meeting of the committee, shall constitute a quorum. If none is in attendance at the meeting, the officers or other persons designated on a list approved by the Board before the emergency, all in such order of priority and subject to such conditions and for such period of time (not longer than reasonably necessary after the termination of the emergency) as may be provided in the resolution approving the list, shall, to the extent required to provide a quorum at any meeting of the Board or of the Executive Committee, be deemed directors or members of the committee, as the case may be, for such meeting.

The Board, either before or during any such emergency, may provide, and from time to time modify, lines of succession in the event that during such emergency any or all officers or agents of the Authority shall for any reason be rendered incapable of discharging their duties. The Board, either before or during any such emergency, may, effective in the emergency, change the principal office or designate several alternative offices or authorize the officers so to do.

The foregoing By-laws were adopted by the Board of Directors on November 8,
1999.

11/12/99
Date


Chairman of Board

**DELETIONS STATEMENT UNDER SECTION 6110
OF THE INTERNAL REVENUE CODE**

Pursuant to Section 6110 of the Internal Revenue Code of 1986, as amended, it is hereby requested that all names, addresses and identifying numbers be deleted for the text of a letter ruling issued in response to the letter ruling request to which this statement is attached. In addition, the Authority requests that certain information other than the names, addresses and other identifying details be deleted from any documents or files made available for public inspection. A copy of this letter ruling request marked to reflect the information to be deleted will be provided.

Dated: November 19, 1999

By: _____

Travis Gibbs
Taxpayer's Authorized Representative

**Power of Attorney
and Declaration of Representative**

► See the separate instructions.

OMB No. 1545-0150
For IRS Use Only
Received by: _____
Name _____
Telephone _____
Function _____
Date ____/____/____

Power of Attorney (Please type or print.)

1 Taxpayer information (Taxpayer(s) must sign and date this form on page 2, line 9.)

Taxpayer name(s) and address

ALASKA GASLINE PORT AUTHORITY
550 WEST 7TH AVENUE, SUITE 1850
ANCHORAGE, ALASKA 99501

Social security number(s)

Employer identification
number

92 0169762

Daytime telephone number
(907) 278-7000

Plan number (if applicable)

hereby appoint(s) the following representative(s) as attorney(s)-in-fact:

2 Representative(s) (Representative(s) must sign and date this form on page 2, Part II.)

Name and address TRAVIS C. GIBBS, ESQ.
c/o O'Melveny & Myers LLP
400 South Hope Street
Los Angeles, CA 90071-2899

CAF No. 9005-36307R

Telephone No. (213) 430-7402

Fax No. (213) 430-6407

Check if new: Address ☐ Telephone No. ☐

Name and address ALEKS S. FRIMERSHTEIN, ESQ.
c/o O'Melveny & Myers LLP
400 South Hope Street
Los Angeles, CA 90071-2899

CAF No.

Telephone No. (213) 430-6196

Fax No. (213) 430-6407

Check if new: Address ☐ Telephone No. ☐

Name and address WILLIAM M. WALKER, ESQ.
c/o Walker Walker Wendlandt & Osowski LLC
550 West Seventh Avenue, Suite 1850
Anchorage, Alaska 99501

CAF No.

Telephone No. (907) 278-7000

Fax No. (907) 278-7001

Check if new: Address ☐ Telephone No. ☐

to represent the taxpayer(s) before the Internal Revenue Service for the following tax matters:

3 Tax matters

Type of Tax (Income, Employment, Excise, etc.)	Tax Form Number (1040, 941, 720, etc.)	Year(s) or Period(s)
Private Letter Ruling	N/A	N/A

4 Specific use not recorded on Centralized Authorization File (CAF). If the power of attorney is for a specific use not recorded on CAF, check this box. (See instruction for Line 4—Specific uses not recorded on CAF.) ☐

5 Acts authorized. The representatives are authorized to receive and inspect confidential tax information and to perform any and all acts that I (we) can perform with respect to the tax matters described on line 3, for example, the authority to sign any agreements, consents, or other documents. The authority does not include the power to receive refund checks (see line 6 below), the power to substitute another representative unless specifically added below, or the power to sign certain returns (see instruction for Line 5—Acts authorized).

List any specific additions or deletions to the acts otherwise authorized in this power of attorney: _____

Note: In general, an unenrolled preparer of tax returns cannot sign any document for a taxpayer. See Revenue Procedure 81-38, printed as Pub. 470, for more information.

Note: The tax matters partner of a partnership is not permitted to authorize representatives to perform certain acts. See the instructions for more information.

6 Receipt of refund checks. If you want to authorize a representative named on line 2 to receive, BUT NOT TO ENDORSE OR CASH, refund checks, initial here _____ and list the name of that representative below.

Name of representative to receive refund check(s) ►

For Paperwork Reduction and Privacy Act Notice, see the separate instructions.

Cat. No. 11980J

Form **2848** (Rev. 12-97)

7 Notices and communications. Original notices and other written communications will be sent to you and a copy to the first representative listed on line 2 unless you check one or more of the boxes below.

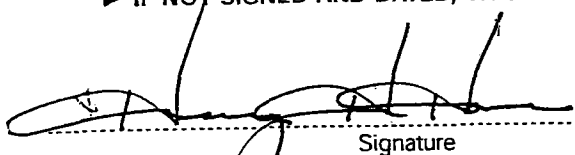
- a If you want the first representative listed on line 2 to receive the original, and yourself a copy, of such notices or communications, check this box ☒
- b If you also want the second representative listed to receive a copy of such notices and communications, check this box ☒
- c If you do not want any notices or communications sent to your representative(s), check this box ☐

8 Retention/revocation of prior power(s) of attorney. The filing of this power of attorney automatically revokes all earlier power(s) of attorney on file with the Internal Revenue Service for the same tax matters and years or periods covered by this document. If you do not want to revoke a prior power of attorney, check here. ☐

YOU MUST ATTACH A COPY OF ANY POWER OF ATTORNEY YOU WANT TO REMAIN IN EFFECT.

9 Signature of taxpayer(s). If a tax matter concerns a joint return, both husband and wife must sign if joint representation is requested, otherwise, see the instructions. If signed by a corporate officer, partner, guardian, tax matters partner, executor, receiver, administrator, or trustee on behalf of the taxpayer, I certify that I have the authority to execute this form on behalf of the taxpayer.

► IF NOT SIGNED AND DATED, THIS POWER OF ATTORNEY WILL BE RETURNED.



Signature

11/9/99
Date

Chairman
Title (if applicable)

Henry H. Hove

Print Name

Signature

Date

Title (if applicable)

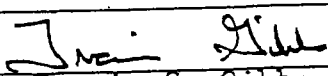
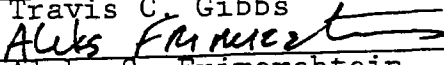
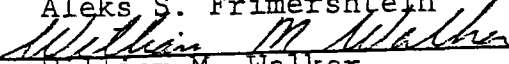
Print Name

Declaration of Representative

Under penalties of perjury, I declare that:

- I am not currently under suspension or disbarment from practice before the Internal Revenue Service;
- I am aware of regulations contained in Treasury Department Circular No. 230 (31 CFR, Part 10), as amended, concerning the practice of attorneys, certified public accountants, enrolled agents, enrolled actuaries, and others;
- I am authorized to represent the taxpayer(s) identified in Part I for the tax matter(s) specified there; and
- I am one of the following:
 - a Attorney—a member in good standing of the bar of the highest court of the jurisdiction shown below.
 - b Certified Public Accountant—duly qualified to practice as a certified public accountant in the jurisdiction shown below.
 - c Enrolled Agent—enrolled as an agent under the requirements of Treasury Department Circular No. 230.
 - d Officer—a bona fide officer of the taxpayer's organization.
 - e Full-Time Employee—a full-time employee of the taxpayer.
 - f Family Member—a member of the taxpayer's immediate family (i.e., spouse, parent, child, brother, or sister).
 - g Enrolled Actuary—enrolled as an actuary by the Joint Board for the Enrollment of Actuaries under 29 U.S.C. 1242 (the authority to practice before the Service is limited by section 10.3(d)(1) of Treasury Department Circular No. 230).
 - h Unenrolled Return Preparer—an unenrolled return preparer under section 10.7(c)(viii) of Treasury Department Circular No. 230.

► IF THIS DECLARATION OF REPRESENTATIVE IS NOT SIGNED AND DATED, THE POWER OF ATTORNEY WILL BE RETURNED.

Designation—Insert above letter (a-h)	Jurisdiction (state) or Enrollment Card No.	Signature	Date
a	CA	 Travis C. Gibbs	
a	CA	 Aleks S. Frimershtein	11-19-99
a	Alaska	 William M. Walker	11-8-99

DECLARATION UNDER PENALTIES OF PERJURY

Under penalties of perjury, I declare that I have examined this request, including accompanying documents, and, to the best of my knowledge and belief, the request contains all the relevant facts relating to the request, and such facts are true, correct, and complete.

Dated: November 17, 1999.

ALASKA GASLINE PORT AUTHORITY,
an Alaska Port Authority

By: 

Hank Hove
Chairman

APPENDIX C
CHECKLIST
IS YOUR LETTER RULING REQUEST COMPLETE?

INSTRUCTIONS

The Service will be able to respond more quickly to your letter ruling request if it is carefully prepared and complete. To ensure that your request is in order, use this checklist. Complete the five items of information requested before the checklist. Answer each question by circling "Yes," "No," or "N/A." When a question contains a place for a page number, insert the page number (or numbers) of the request that gives the information called for by a yes answer to a question. Sign and date the checklist (as taxpayer or authorized representative) and place it on top of your request.

If you are an authorized representative submitting a request for a taxpayer, you must include a completed checklist with the request, or the request will either be returned to you or substantive consideration of it will be deferred until a completed checklist is submitted. If you are a taxpayer preparing your own request without professional assistance, an incomplete checklist will not either cause the return of your request or defer substantive consideration of your request. However, you should still complete as much of the checklist as possible and submit it with your request.

TAXPAYER'S NAME ALASKA GASLINE PORT AUTHORITY
TAXPAYER'S I.D. NO. 92-0169762
DISTRICT HAVING AUDIT JURISDICTION Pacific Northwest District
ATTORNEY/P.O.A. TRAVIS C. GIBBS, ESQ.
PRIMARY CODE SECTION 115

CIRCLE ONE

ITEM

☒ Yes ☐ No

1. Does your request involve an issue under the jurisdiction of the Associate Chief Counsel (Domestic), the Associate Chief Counsel (Employee Benefits and Exempt Organizations), the Associate Chief Counsel (Enforcement Litigation), or the Associate Chief Counsel (International)? See section 3 of Rev. Proc. 99-1, 1999-1 I.R.B. 6. For issues under the jurisdiction of other offices, see section 4 of Rev. Proc. 99-1. (Hereafter, all references are to Rev. Proc. 99-1 unless otherwise noted.)

☒ Yes ☐ No

2. Have you read Rev. Proc. 99-3, 1999-1 I.R.B. 103, and Rev. Proc. 99-7, 1999-1 I.R.B. 226, to see if part or all of the request involves a matter on which letter rulings are not issued or are ordinarily not issued?

Yes No ☒ N/A

3. If your request involves a matter on which letter rulings are not ordinarily issued, have you given compelling reasons to justify the issuance of a letter ruling? Before preparing your request, you may want to call the branch in the Office of the Associate Chief Counsel (Domestic), the Office of the Associate Chief Counsel (Employee Benefits and Exempt Organizations), the Office of the Associate Chief Counsel (Enforcement Litigation), or the Office of the Associate Chief Counsel (International) responsible for substantive interpretations of the principal Internal Revenue Code section on which you are seeking a letter ruling to discuss the likelihood of an exception. For matters under the jurisdiction of—

(a) the Office of Associate Chief Counsel (Domestic) and the Office of Associate Chief Counsel (Employee Benefits and Exempt Organizations), the appropriate branch to call may be obtained by calling (202) 622-7560 (not a toll-free call);

(b) the Office of the Associate Chief Counsel (International), the appropriate branch to call may be obtained by calling (202) 622-3800 (not a toll-free call); or

(c) the Office of the Associate Chief Counsel (Enforcement Litigation), the appropriate branch to call may be obtained by calling (202) 622-3600 (not a toll-free call).

Yes No N/A
Page _____

Yes No

Yes No

Yes No

Yes No

Yes No

Yes No
Pages 2-8

Yes No N/A

Yes No N/A

Yes No
Pages 2-16

Yes No
Page 17-18

Yes No
Page 17-18

Yes No
Page 17-18

Yes No
Page 17-18

Yes No
Page 17-18

Yes No
Pages 9-16

Yes No
Page 18

4. If the request deals with a completed transaction, have you filed the return for the year in which the transaction was completed? See sections 5.01, 5.05, 5.06, 5.07, 5.08, and 5.09.

5. Are you requesting a letter ruling on a hypothetical situation or question? See section 7.02.

6. Are you requesting a letter ruling on alternative plans of a proposed transaction? See section 7.02.

7. Are you requesting the letter ruling for only part of an integrated transaction? See sections 7.03 and 8.01(1).

8. Are you requesting the letter ruling for a business, trade, industrial association, or similar group concerning the application of tax law to its members? See section 5.11.

9. Are you requesting the letter ruling for a foreign government or its political subdivision? See section 5.12.

10. Have you included a complete statement of all the facts relevant to the transaction? See section 8.01(1).

11. Have you submitted with the request true copies of all wills, deeds, and other documents relevant to the transaction, and labeled and attached them in alphabetical sequence? See section 8.01(2).

12. Have you submitted with the request a copy of all applicable foreign laws, and certified English translations of documents that are in a language other than English or of foreign laws in cases where English is not the official language of the foreign country involved? See section 8.01(2).

13. Have you included, rather than merely incorporated by reference, all material facts from the documents in the request? Are they accompanied by an analysis of their bearing on the issues that specifies the document provisions that apply? See section 8.01(3).

14. Have you included the required statement regarding whether the same issue in the letter ruling request is in an earlier return of the taxpayer or in a return for any year of a related taxpayer? See section 8.01(4).

15. Have you included the required statement regarding whether the Service previously ruled on the same or similar issue for the taxpayer, a related taxpayer, or a predecessor? See section 8.01(5)(a).

16. Have you included the required statement regarding whether the taxpayer, a related taxpayer, a predecessor, or any representatives previously submitted a request (including an application for change in accounting method) involving the same or similar issue but withdrew the request before the letter ruling or determination letter was issued? See section 8.01(5)(b).

17. Have you included the required statement regarding whether the taxpayer, a related taxpayer, or a predecessor previously submitted a request (including an application for change in accounting method) involving the same or similar issue that is currently pending with the Service? See section 8.01(5)(c).

18. Have you included the required statement regarding whether, at the same time as this request, the taxpayer or a related taxpayer is presently submitting another request (including an application for change in accounting method) involving the same or similar issue to the Service? See section 8.01(5)(d).

19. Have you included the required statement of relevant authorities in support of your views? See section 8.01(6).

20. Have you included the required statement regarding whether the law in connection with the request is uncertain and whether the issue is adequately addressed by relevant authorities? See section 8.01(6).

Yes No
Pages 8-16

Yes No N/A
Page _____

Yes No N/A
Page _____

Yes No

Yes No
Page 19

Yes No N/A

Yes No
Page Exhibit J

Yes No N/A

Yes No N/A
Pages _____

Yes No N/A

Yes No N/A

Yes No N/A

Yes No N/A

Yes No N/A
Page 1

Yes No N/A
Page 19

Yes No N/A
Page 18

Yes No

Yes No N/A
Page _____

21. Does your request discuss the implications of any legislation, tax treaties, court decisions, regulations, notices, revenue rulings, or revenue procedures that you determined to be contrary to the position advanced? See section 8.01(7), which states that taxpayers are encouraged to inform the Service of such authorities.

22. If you determined that there are no contrary authorities, have you included a statement to this effect in your request? See section 8.01(7).

23. Have you included in your request a statement identifying any pending legislation that may affect the proposed transaction? See section 8.01(8).

24. Is the request accompanied by the deletions statement required by § 6110? See section 8.01(9).

25. Have you (or your authorized representative) signed and dated the request? See section 8.01(10).

26. If the request is signed by your representative or if your representative will appear before the Service in connection with the request, is the request accompanied by a properly prepared and signed power of attorney with the signatory's name typed or printed? See section 8.01(12).

27. Have you included, signed, and dated the penalties of perjury statement in the form required by section 8.01(13)?

28. Are you submitting your request in duplicate if necessary? See section 8.01(14).

29. If you are requesting separate letter rulings on different issues involving one factual situation, have you included a statement to that effect in each request? See section 8.02(1).

30. If you want copies of the letter ruling sent to more than one representative, does the power of attorney contain a statement to that effect? See section 8.02(2)(a).

31. If you want the original of the letter ruling to be sent to a representative, does the power of attorney contain a statement to that effect? See section 8.02(2)(b).

32. If you do not want a copy of the letter ruling to be sent to any representative, does the power of attorney contain a statement to that effect? See section 8.02(2)(c).

33. If you are making a two-part letter ruling request, have you included a summary statement of the facts you believe to be controlling? See section 8.02(3).

34. If you want your letter ruling request to be processed ahead of the regular order or by a specific date, have you requested expeditious handling in the manner required by section 8.02(4) and stated a compelling need for such action in the request?

35. If you are requesting a copy of the letter ruling to be sent by facsimile (fax) transmission, have you included a statement containing a waiver of any disclosure violations resulting from the fax transmission? See section 8.02(5).

36. If you want to have a conference on the issues involved in the request, have you included a request for conference in the letter ruling request? See section 8.02(6).

37. Have you included the correct user fee with the request and made your check or money order payable to the Internal Revenue Service? See section 15 and Appendix A to determine the correct amount.

38. If your request involves a personal tax issue and you qualify for the reduced user fee when gross income is less than \$150,000, have you included the required certification? See paragraphs (A)(4)(a) and (B)(1) of Appendix A.

Yes No N/A
Page _____

39. If your request involves a business-related tax issue and you qualify for the reduced user fee when gross income is less than \$1 million, have you included the required certification? See paragraphs (A)(4)(b) and (B)(1) of Appendix A.

Yes No N/A
Page _____

40. If you qualify for the user fee for substantially identical letter rulings, have you included the required information? See section 15.07(2) and paragraph (A)(5)(a) of Appendix A.

Yes No N/A
Page _____

41. If you qualify for the user fee for a § 301.9100 request to extend the time for filing an identical accounting method change on a single Form 3115, have you included the required information? See section 15.07(3) and paragraph (A)(5)(c) of Appendix A.

Yes No N/A

42. If your request is covered by any of the guideline revenue procedures or notices, safe harbor revenue procedures, or other special requirements listed in section 9, have you complied with all of the requirements of the applicable revenue procedure or notice?

Rev. Proc.

List other applicable revenue procedures or notices, including checklists, used or relied upon in the preparation of this letter ruling request (Cumulative Bulletin or Internal Revenue Bulletin citation not required).

Yes No N/A
Page _____

43. If you are requesting relief under § 7805(b) (regarding retroactive effect), have you complied with all of the requirements in section 12.11?

Yes No

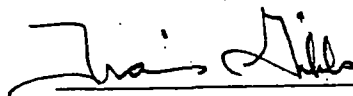
44. Have you addressed your request to the attention of Associate Chief Counsel (Domestic), the Associate Chief Counsel (Employee Benefits and Exempt Organizations), the Associate Chief Counsel (Enforcement Litigation), or the Associate Chief Counsel (International), as appropriate? The mailing address is:

Internal Revenue Service
Attn: CC:DOM:CORP:TSS
P.O. Box 7604
Ben Franklin Station
Washington, D.C. 20044

However, if a private delivery service is used, the address is:

Internal Revenue Service
Attn: CC:DOM:CORP:TSS, Room 6561
1111 Constitution Avenue, N.W.
Washington, D.C. 20224

The package should be marked: RULING REQUEST SUBMISSION. Improperly addressed requests may be delayed (sometimes for over a week) in reaching CC:DOM:CORP:TSS for initial processing.



Signature

Authorized Representative
Title or Authority

11/19/99

Date

Travis C. Gibbs

Typed or printed name of
person signing checklist

the Vice Chairman designated by the Board, shall perform all the duties of the Chairman and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the Chairman. The Vice Chairmen shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board.

Section 8. Secretary. The Secretary shall keep or cause to be kept, at the principal office or such other place as the Board may order, a book of minutes of all meetings of the Board and its committees, with the time and place of holding, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at Board and committee meetings, and the proceedings thereof. The Secretary shall keep, or cause to be kept, at the principal office in the State of Alaska the original or a copy of the Authority's Authorizing Ordinance and Bylaws, as amended to date.

The Secretary shall give, or cause to be given, notice of all meetings of the Board and any committees thereof required by these Bylaws or by state law to be given, shall keep the seal of the Authority in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board.

Section 9. Treasurer. The Treasurer is the chief financial officer of the Authority and shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Authority. The books of account shall at all times be open to inspection by any director.

The Treasurer shall deposit, or cause to be deposited, all moneys and other valuables in the name and to the credit of the Authority with such depositaries as may be designated by the Board. The Treasurer shall disburse, or cause to be disbursed, the funds of the Authority as may be ordered by the Board, shall render to the Chairman and the directors, whenever they request it, an account of all transactions as Treasurer and of the financial condition of the Authority, and shall have such other powers and perform such other duties as may be prescribed by the Board.

Section 10. Executive Director. The Executive Director is subject to control of the Board, has general supervisory control and direction of the activities of the Authority. The Executive Director has the general powers and duties of management usually vested in an executive director and such other powers and duties as may be prescribed by the Board. For the initial one year existence of the Port Authority, one of the directors may also serve as an interim executive director.

ARTICLE V

OTHER PROVISIONS

Section 1. Endorsement of Documents; Contracts. Subject to the provisions of applicable law, any note, mortgage, evidence of indebtedness, contract, conveyance or other instrument in writing and any assignment or endorsement thereof executed or entered into

between the Authority and any other person, when signed by the Chairman or any Vice Chairman and the Secretary, any Assistant Secretary, the Chief Executive Officer, the Treasurer or any Assistant Treasurer of the Authority shall be valid and binding on the Authority in the absence of actual knowledge on the part of the other person that the signing officers had no authority to execute the same. Any such instruments may be signed by any other person or persons and in such manner as from time to time shall be determined by the Board, and, unless so authorized by the Board, no officer, agent or employee shall have any power or authority to bind the Authority by any contract or engagement or to pledge its credit or to render it liable for any purpose or amount.

Section 2. Public Records Law. All public records of the Authority shall be open to inspection and copying by the public in conformity with the provisions of AS 09.25.110 – AS 09.25.220.

Section 3. Rules of Procedure. The rules of procedure at meetings of the Board shall be the rules contained in *Robert's Rules of Order On Parliamentary Procedure*, newly revised, so far as applicable and when not inconsistent with these Bylaws or any resolution of the Board.

Section 4. Audits. The Board shall have the financial records of the Authority audited annually by an independent certified public accountant. The Authority shall make all of its financial records available to an auditor appointed by a Participating Municipality for examination.

Section 5. Annual Report. Within ninety (90) days following the end of each fiscal year of the Authority, the Board shall distribute to the mayor and governing body of each Participating Municipality a report describing the operations and financial condition of the Authority during the preceding fiscal year. The report may include suggestions for legislation relating to the structure, powers, or duties of the Authority or operation of facilities of the Authority. The report must itemize the cost of providing each category of service offered by the Authority and the income generated by each category.

Section 6. Amendments. These Bylaws may be amended or repealed by the approval by an affirmative vote of two-thirds of the number of directors fixed by these bylaws.

ARTICLE VI

INDEMNIFICATION

Section 1. Coverage. To the full extent permitted by the Alaska law, the Authority shall defend and indemnify any person or entity who was or is a party or is threatened to be made a party to any civil, criminal, administrative or investigative action, suit or proceeding by reason of the fact that he or she or it is or was a director or officer of the Authority, or is or was serving at the request of the Authority as a director, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and

APPENDIX N-2

Approval Letter from IRS
Dated January 24, 2000
Conferring Tax Exempt Status

Internal Revenue Service

Department of the Treasury

Index Number: 103.02-01

Washington, DC 20224

Travis C. Gibbs
c/o O'Melveny & Myers LLP
400 South Hope Street
Los Angeles, California 90071-2899

Person to Contact:
David E. White I.D. #50-07793
Telephone Number:
(202) 622-3980
Refer Reply To:
CC:DOM:FI&P:5/PLR-118656-99
Date:

FEB 16 2000

FEB 14 2000

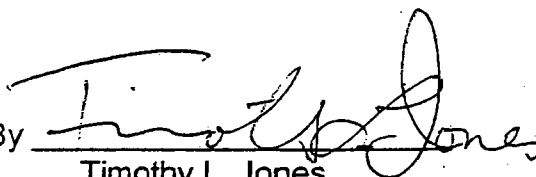
Dear Mr. Gibbs:

Attached is the corrected version of our letter in reply to your request for a ruling that the Authority qualifies as a political subdivision of the State under § 1.103-1(b) of the Income Tax Regulations, and is therefore exempt from federal income taxation. Please destroy the prior letter.

Sincerely yours,

Assistant Chief Counsel
(Financial Institutions & Products)

By



Timothy L. Jones
Assistant to the Chief, Branch 5

Internal Revenue Service

Department of the Treasury

Index Number: 103.02-01

Washington, DC 20224

Travis C. Gibbs
c/o O'Melveny & Myers LLP
400 South Hope Street
Los Angeles, California 90071-2899

Person to Contact
David E. White I.D. #50-07793
Telephone Number:
(202)622-3980
Refer Reply To:
CC:DOM:FI&P:5/PLR-118656-99
Date: JAN 24 2000

LEGEND:

Authority = Alaska Gasline Port Authority
State = Alaska
Date 1 = October 5, 1999
A = Fairbanks North Star Borough
B = North Slope Borough
C = City of Valdez
Port = Port of Valdez, Alaska
Location = North Slope of Alaska

Dear Mr. Gibbs:

This letter is in response to your request for a ruling that based on the definition of the term "political subdivision" in § 1.103-1(b) of the Income Tax Regulations, the Authority qualifies as a political subdivision of the State.

Facts and Representations

You make the following factual representations. The Authority was created on Date 1 pursuant to State law by the local governmental units A, B, and C. The Authority was created to provide for the development of ports in the State for transportation-related commerce. In accordance with this purpose, the Authority will

undertake various improvements and additions to certain existing port facilities located, and will construct new port facilities to be located, at the Port, and will acquire and develop the facilities necessary for the transportation, in state use, and sale of natural gas that is currently stranded at the Location (the "Project").

As a result of the availability of natural gas through the Project, the cost of electricity to the State's residents will be substantially reduced. Excess gas not used in-state will be available for other uses.

The Authority is governed by a board of directors appointed by its member governmental units A, B, and C. The Authority has the power to acquire, by purchase, lease, contribution, condemnation, or otherwise, real and personal property for the Project. State law provides that the Authority has the same power of eminent domain as that possessed by A, B, and C. Specifically, the Authority may commence eminent domain actions, in its own name, in the appropriate court of the State to acquire land or materials within its physical boundaries for Authority purposes, and may take possession of the property upon commencement of the proceedings.

The Authority's revenues will be derived primarily from the sale of natural gas to municipalities within the State and to other purchasers, which are expected to include governmental and private entities. These revenues will be used first generally to pay operating expenses and debt service and to fund necessary reserves for operation of the Project. Any net income will be shared with the State and all of its municipalities for use in their respective governmental purposes. Upon dissolution of the Authority, its assets will be distributed to its member governmental units.

In addition to contributions from the participating governmental units, the Authority is authorized to issue bonds or any other form of indebtedness to raise funds to finance the Project.

Law and Analysis

Section 103(a) of the Internal Revenue Code provides, in part, that except as provided in subsection (b), gross income does not include interest on any state or local bond. Section 103(c)(1) provides that the term "state or local bond" means an obligation of a state or political subdivision thereof.

Section 1.103-1(b) provides that the term "political subdivision" denotes any division of any state or local governmental unit that is a municipal corporation or that has been delegated the right to exercise part of the sovereign power of the unit. As thus defined, a political subdivision of any state or local governmental unit may or may not, for purposes of this section, include special assessment districts so created, such

as road, water, sewer, gas, light, reclamation, drainage, irrigation, levee, school, harbor, port improvement, and similar districts and divisions of these units. Rev. Rul. 78-276, 1978-2 C.B. 256, states that the term "political subdivision" has been defined consistently for all federal tax purposes as denoting either (1) a division of a state or local government that is a municipal corporation, or (2) a division of such state or local government that has been delegated the right to exercise sovereign power.

In determining whether an entity is a division of a state or local governmental unit, important considerations are the extent the entity is (1) controlled by the state or local government unit, and (2) motivated by a wholly public purpose. Revenue Ruling 83-131, 1983-2 C.B. 184.

The three generally acknowledged sovereign powers are the power to tax, the power of eminent domain, and the police power. See *Commissioner v. Estate of Alexander J. Shamburg*, 3 T.C. 131, (1944) *acq.*, 1945 C.B. 6, *aff'd* 144 F.2d 998 (2d Cir. 1944), *cert. denied*, 323 U.S. 792 (1945). It is not necessary that all three powers enumerated in *Shamburg* be delegated. Rev. Rul. 77-164, 1977-1 C.B. 20; Rev. Rul. 77-165, 1977-1 C.B. 21. However, possession of only an insubstantial amount of any or all sovereign powers is not sufficient. All of the facts and circumstances must be taken into consideration including the public purposes of the entity and its control by a government.

Indicia that the Authority is governmentally controlled are: (1) the Authority is governed by a board of directors appointed by its member governmental units A, B, and C; (2) the Authority's net revenues inure to the benefit of the State and its municipalities; and (3) the Authority's assets will be distributed to its member governmental units upon dissolution. The Authority is motivated by a wholly public purpose.

Under State law the Authority is granted broad powers of eminent domain within its physical boundaries. The Authority is authorized to commence actions in the appropriate court of the State to enforce this right and will be able to take possession of property upon commencement of the condemnation proceedings rather than after judgment. These exercises of the power of eminent domain are commensurate with a substantial exercise of that power.

Conclusion

Based solely on the representations made and the definition of the term "political subdivision" in § 1.103-1(b), we conclude that the Authority is a political subdivision. Accordingly, the Authority is not required to file federal income tax returns or pay federal income tax on its income.

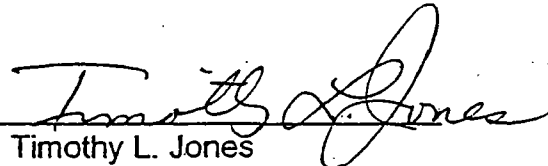
Except as specifically stated above, no opinion is expressed regarding the consequences of this transaction under any provision of the Code or regulations thereunder.

This ruling letter is directed only to the taxpayer who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

Sincerely yours,

Assistant Chief Counsel
(Financial Institutions & Products)

By:



Timothy L. Jones
Assistant to the Chief, Branch 5

Enclosure:

Copy of § 6110 purposes

cc: District Director, Pacific - Northwest District (Seattle)
Attn: Chief, Examination Division

Employee Plans & Exempt Organizations
Field Compliance Division
Attn: Joseph P. Grabowski, CP:E:EO:T:4
Room 6236

APPENDIX O

Dr. Pedro van Meurs Memo
Dated March 30, 2000

AIDE MEMOIRE
MEETING WITH ALASKA GASLINE PORT AUTHORITY

March 30, 2000

Dr. Pedro van Meurs

INTRODUCTION

The consultant met on March 17 and 18 with Mr. Bill Walker of the Alaska Gasline Port Authority and their legal counsel of O'Melveny & Myers.

A document (Index Number 103.02-01) was provided to the consultant containing an opinion of the Internal Revenue Service indicating that the Authority would not be required to file federal income tax returns or pay federal income tax on its income.

It was explained to the consultant that this opinion would typically also mean that there would be no State corporate income tax as well.

The Alaska Gasline Port Authority is contemplating being the owner of the LNG project from the lease boundary on the North Slope to the loading point FOB Valdez. This means that the tax exemption would apply to the conditioning of the gas, the pipe line transportation and the liquefaction and loading of the LNG on tankers.

The Alaska Gasline Port Authority indicated that they would not be involved in the production of the gas or the shipping by LNG tankers.

The consultant was asked to provide his views on the impact on the economics of the project based on these conditions.

VIEWS OF THE CONSULTANT

An exemption from federal and state corporate income tax would have a very beneficial impact on the rate of return of the Alaska LNG project, assuming a project structure can be realized in which the exemption would indeed apply.

The consultant carried out previously analysis for the State of Alaska on an Alaska LNG project involving a capacity of 14.5 million tons, a 30 year cashflow, a CIF price in the Far East of \$ 3.50 per MMBtu and 3% escalation of costs and prices. Total project investments were estimated between \$ 12 and \$ 15 billion.

The previous conclusion was that the project costs need to be reduced considerably in order for the project to be economically viable. Assuming costs can be reduced, fiscal restructuring would enhance the possibilities of the project.

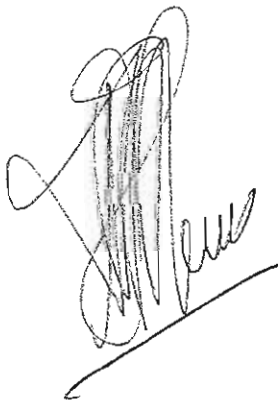
Based on the above total project configuration, the net benefit of the tax exemptions may range in the order of magnitude of \$ 10 to \$ 20 billion on an undiscounted current dollar basis.

The net tax benefit on a total project basis will depend very much on how the benefit is distributed between the producers, consumers, the Alaska Gasline Port Authority and other parties. For instance, the tax benefit would be at the lower end of the above mentioned range if this benefit would be used:

- to lower the "toll" between the lease boundary and the FOB export point and to increase in the lease boundary price, or
- to lower the CIF price to consumers in Asia in order to make the introduction of a large volume of gas feasible in the near future.

The tax exemption could strengthen the economics of the project considerably, provided the Alaska Gasline Port Authority:

1. finds a way to lower the overall costs of the project,
2. is able to create with other parties a financial and organizational configuration in which the project can proceed, and
3. is able to create conditions under which this exemption can be effectively used to the benefit of the total project.

A handwritten signature in black ink, appearing to be 'M. J. Miller', written over a horizontal line.

APPENDIX P

Indicative Recourse Rate Calculation

APPENDIX Q

Price Assumption Data Tables

APPENDIX P

Indicative Recourse Rate Calculation

Price Assumption Data Table

EIA Imported Crude Oil Price (2007 \$/bbl)			
	Reference	High	Low
	Case	Price	Price
2007	70.28	70.28	70.28
2008	67.53	70.50	65.26
2009	64.17	71.33	58.55
2010	60.55	72.91	51.85
2011	57.24	74.88	45.82
2012	54.48	76.54	40.79
2013	52.67	78.68	38.36
2014	52.29	81.32	36.99
2015	52.54	83.83	35.81
2016	52.41	86.30	35.62
2017	53.52	88.19	35.72
2018	54.02	90.03	35.81
2019	54.73	92.00	35.88
2020	54.83	93.90	35.93
2021	55.56	95.09	36.09
2022	56.29	95.85	36.26
2023	57.84	97.05	36.42
2024	58.62	98.25	36.58
2025	59.39	99.46	36.76
2026	60.17	100.66	36.92
2027	60.71	101.87	37.08
2028	61.23	103.08	37.26
2029	61.75	104.28	37.43
2030	62.29	105.51	37.59

APPENDIX R

Alaska Statute 29.35.600-730
Municipal Port Authority Act

Municipal Port Authority Act

§ 29.35.600. Purpose of authorities

The purpose of a port authority is to provide for the development of a port or ports for transportation related commerce within the territory of the authority.

§ 29.35.605. Establishment of port authorities

(a) A port authority may be created by one of the following means:

(1) the governing body of a municipality may create by ordinance a port authority as a public corporation of the municipality;

(2) the governing bodies of two or more municipalities may create by parallel ordinances adopted by each of the governing bodies a port authority as a public corporation of the municipalities.

(b) One or more municipalities may join an authority established under (a)(1) or (2) of this section upon the adoption of parallel ordinances by the governing bodies of each affected municipality.

(c) A port authority created under this section is a body corporate and politic and an instrumentality of the municipality or municipalities creating it but having a separate and independent legal existence.

(d) Creation of a port authority under [AS 29.35.600](#) - [29.35.730](#) is an exercise of a municipality's transportation system powers.

(e) The enabling ordinance by which a port authority is established must specify the powers, boundaries, and limitations of the port authority.

(f) An ordinance creating a port authority shall require approval by the voters of the municipality or municipalities participating in the authority in order for the authority to be established.

(g) Nothing in [AS 29.35.600](#) - [29.35.725](#) prevents a municipality or municipalities from creating or participating in a public corporation, including a port authority, in any form or manner not prohibited by law. However, the provisions of [AS 29.35.600](#) - [29.35.725](#) only apply to and may only be utilized by a port authority created under this section.

§ 29.35.610. Dissolution of a port authority

(a) The enabling ordinance by which a port authority is created must provide for the manner by which a port authority may be dissolved.

(b) If an authority ceases to exist, its assets shall be distributed to the municipalities that

participated in the authority in proportion to the difference between their contributions to the authority and any outstanding debt or obligation of that municipality to the authority, provided that any obligation to bondholders then outstanding shall first be satisfied in full.

§ 29.35.615. Municipal property

(a) A municipality may transfer and otherwise convey or lease real property, and any improvements to it, to an authority for use by the authority for the purposes set out in the ordinance adopted under [AS 29.35.605](#).

(b) A municipality may transfer and otherwise assign or lease personal property to an authority for use by the authority for the purposes set out in the ordinance adopted under [AS 29.35.605](#).

§ 29.35.620. Powers

If provided in the enabling ordinance, an authority may

- (1) sue and be sued;
- (2) have a seal and alter it at pleasure;
- (3) acquire an interest in a project as necessary or appropriate to provide financing for the project, whether by purchase, gift, or lease;
- (4) lease to others a project acquired by it and upon the terms and conditions the authority may consider advisable, including, without limitation, provisions for purchase or renewal;
- (5) sell, by installment sale or otherwise, exchange, donate, convey, or encumber in any manner by mortgage or by creation of another security interest, real or personal property owned by it, or in which it has an interest, including a project, when, in the judgment of the authority, the action is in furtherance of the authority's purposes;
- (6) accept gifts, grants, or loans, under the terms and conditions imposed under the gift, grant, or loan, and enter into contracts, conveyances or other transactions with a federal agency or an agency or instrumentality of the state, a municipality, private organization, or other person;
- (7) deposit or invest its funds, subject to agreements with bondholders;
- (8) purchase or insure loans to finance the costs of projects;
- (9) provide for security within the boundaries of the authority;
- (10) enter into loan agreements with respect to one or more projects upon the terms and conditions the authority considers advisable;
- (11) acquire, manage, and operate projects as the authority considers necessary or appropriate

to serve the authority's purposes;

(12) assist private lenders to make loans to finance the costs of projects through loan commitments, short-term financing, or otherwise;

(13) charge fees or other forms of remuneration for the use or possession of projects in accordance with the agreements described in this section, other agreements relating to the projects, covenants, or representations made in bond documents relating to the projects, or regulations of the authority relating to the projects;

(14) exercise the powers of eminent domain and declaration of taking within its physical boundaries under [AS 29.35.030](#) to acquire land or materials for authority purposes;

(15) regulate land use within the boundaries of the authority;

(16) defend and indemnify a current or former member of the board, employee, or agent of the authority against all costs, expenses, judgments, and liabilities, including attorney fees, incurred by or imposed upon that person in connection with civil or criminal action in which the person is involved as a result of the person's affiliation with the authority if the person acted in good faith on behalf of the authority and within the scope of the person's official duties and powers;

(17) purchase insurance to protect and hold harmless its employees, agents, and board members from an action, claim, or proceeding arising out of the performance, purported performance, or failure to perform in good faith, of duties for, or employment with the authority and to hold them harmless from expenses connected with the defense, settlement, or monetary judgments from that action, claim, or proceeding; the purchase of insurance is subject to the discretion of the board; insurance purchased under this paragraph may not be considered compensation to the insured person; and

(18) protect its assets, services, and employees by purchasing insurance or providing for certain self-insurance retentions; an authority may also maintain casualty, property, business interruption, marine, boiler and machinery, pollution liability, and other insurance in amounts reasonably calculated to cover potential claims against the authority or a municipality for bodily injury, death or disability, and property damage that may arise from or be related to authority operations and activities.

§ 29.35.625. Bonds of a port authority; superior court jurisdiction

(a) If authorized by the enabling ordinance, an authority may borrow money and may issue bonds on which the principal and interest are payable

(1) exclusively from the income and receipts of, or other money derived from, the project financed with the proceeds of the bonds;

(2) exclusively from the income and receipts of, or other money derived from, designated

projects or other sources whether or not they are financed, insured, or guaranteed in whole or in part with the proceeds of the bonds; or

(3) from its income and receipts generally or a designated part or parts of them.

(b) All bonds may be sold at public or private sale in the manner, for the price or prices, and at the time or times that the authority may determine.

(c) Before issuing bonds, an authority shall provide for consideration at least sufficient, in the judgment of the authority, to pay the principal and interest on the bonds as they become due and to create and maintain the reserves for the payment that the authority considers necessary or desirable and meet all obligations in connection with the lease or agreement and all costs necessary to service the bonds, unless the lease or agreement provides that the obligations are to be met or costs are to be paid by a party other than the authority.

(d) Bonds shall be authorized by resolution of the authority, be dated, and shall mature as the resolution may provide, except that a bond may not mature more than 40 years from the date of its issue. Bonds shall bear interest at the rate or rates, be in the denominations, be in the form, either coupon or registered, carry the registration privileges, be executed in the manner, be payable in the medium of payment, at the place or places, and be subject to the terms of redemption that the resolution or a subsequent resolution may provide.

(e) All bonds issued under this section, regardless of form or character, are negotiable instruments for all of the purposes of AS 45.01 - AS 45.08, AS 45.12, AS 45.14, and AS 45.29 (Uniform Commercial Code).

(f) The superior court has jurisdiction to hear and determine suits, actions, or proceedings relating to an authority, including suits, actions, or proceedings brought to foreclose or otherwise enforce a mortgage, pledge, assignment, or security interest brought by or for the benefit or security of a holder of the authority's bonds or by a trustee for or other representative of the holders.

§ 29.35.630. Bonds eligible for investment

Bonds issued under [AS 29.35.625](#) are securities in which all public officers and public bodies of the state and its political subdivisions, all insurance companies, trust companies, banks, investment companies, executors, administrators, trustees, and other fiduciaries may properly and legally invest funds, including capital in their control or belonging to them. The bonds may be deposited with a state or municipal officer of an agency or political subdivision of the state for any purpose that the deposit of bonds of the state is authorized by law.

§ 29.35.635. Validity of pledge

The pledge of revenue of an authority to the payment of the principal or interest on bonds or notes of the authority is valid and binding from the time the pledge is made, and the revenue is immediately subject to the lien of the pledge without physical delivery or further act. The lien of

a pledge is valid and binding against all parties having claims of any kind against the authority irrespective of whether those parties have notice of the lien of the pledge.

§ 29.35.640. Credit of state or a municipality not pledged

(a) The state and municipalities participating in an authority are not liable for the debts of that authority. Bonds issued under [AS 29.35.625](#) are payable solely from the revenue of the authority and do not constitute a

(1) debt, liability, or obligation of the state or a municipality; or

(2) pledge of the faith and credit of the state or a municipality.

(b) An authority may not pledge the credit or the taxing power of the state or its municipalities. A bond issued under [AS 29.35.625](#) must contain on its face a statement that

(1) the authority is not obligated to pay it or the interest on it except from the revenue pledged for it; and

(2) the faith and credit of the taxing power of the state or of a political subdivision of the state is not pledged to the payment of it.

§ 29.35.645. Pledges of the state and municipalities

The state and municipalities participating in the authority pledge to and agree with the holders of bonds issued under [AS 29.35.625](#) and with the federal agency, if any, that loans or contributes funds in respect to a project of the authority, that the state and the municipalities participating in the authority will not limit or alter the rights and powers vested in the authority by its enabling ordinance or other law so that it is unable to fulfill the terms of a contract made by the authority with those holders or that federal agency, or in any way impair the rights and remedies of those holders or that federal agency until the bonds, together with the interest on them and interest on unpaid installments of interest, and all costs and expenses in connection with an action or proceeding by or on behalf of those holders or that federal agency, are fully met and discharged. An authority is authorized to include this pledge and agreement of the state and the municipalities participating in the authority, insofar as it refers to holders of bonds of the authority, in a contract with those holders, and insofar as it relates to a federal agency, in a contract with that federal agency.

§ 29.35.650. Limitation of liability

A liability incurred by an authority shall be satisfied exclusively from the assets or revenue of the authority. A creditor or other person does not have a right of action against the state or a municipality participating in an authority because of a debt, obligation, or liability of an authority.

§ 29.35.655. Limitation on personal liability

A board member or employee of an authority is not subject to personal liability or accountability because of the execution or issuance of bonds.

hority because of a debt, obligation, or liability of an authority.

§ 29.35.660. Fidelity bond

An authority shall obtain a fidelity bond in an amount determined by the board for board members and each executive officer responsible for accounts and finances of that authority. A fidelity bond must be in effect during the entire tenure in office of the bonded person.

§ 29.35.665. No taxing authority

An authority may not levy an income or other tax.

§ 29.35.670. Exemption from taxation

(a) An authority exercising the powers granted by the enabling ordinance under [AS 29.35.600 - 29.35.730](#) is in all respects for the benefit of the people of the municipalities participating in the authority and the people of the state in general, for their well-being and prosperity, and for the improvement of their social and economic condition. The real and personal property of an authority and its assets, income, and receipts are exempt from all taxes and special assessments of the state or a political subdivision of the state.

(b) Bonds issued by the authority under [AS 29.35.625](#) are issued for an essential public and governmental purpose; therefore, the bonds, interest and income from them, and all fees, charges, funds, revenue, income, and other money pledged or available to pay or secure the payment of the bonds or interest on them are exempt from taxation except for inheritance, transfer, and estate taxes.

(c) Notwithstanding the provisions of (a) of this section, an authority and the municipalities participating in the authority may enter into agreements under which the authority agrees to pay the participating municipalities' payments in lieu of taxes and special assessments on real and personal property of the authority that is within the taxing jurisdiction of the municipality.

(d) Nothing in this section creates a tax exemption with respect to the interests of a business enterprise or other person, other than the authority, in property, assets, income, or receipts, whether or not financed under [AS 29.35.600 - 29.35.730](#).

§ 29.35.675. Development plan

In the enabling ordinance establishing the authority under [AS 29.35.605](#) the authority shall be

(1) required to submit a development plan to the governing body of the municipality or municipalities participating in the authority; and

(2) prohibited from undertaking the construction or acquisition of a project unless the project appears in a development plan submitted to and approved by the governing body of the municipality or municipalities participating in the authority.

§ 29.35.680. Administration of port authorities; board

(a) An authority shall be governed by a board of directors, which shall exercise the powers of the authority. The enabling ordinance establishing the authority under [AS 29.35.605](#) must specify the number, qualifications, manner of appointment or election, and terms of members of the board.

(b) The board shall appoint a chief executive officer of the authority who serves at the pleasure of the board. The board shall fix the compensation of the chief executive officer.

§ 29.35.685. Continuation of collective bargaining agreements; application of AS 23.40.070 - 23.40.260

(a) A collective bargaining agreement for employees of the state or its political subdivisions who are transferred to an authority under [AS 29.35.600](#) - [29.35.730](#) shall remain in effect for the term of the agreement or for a period of one year, whichever is longer, and shall be binding on the authority unless the parties agree to the contrary before the expiration of the agreement. A labor-management negotiation impasse declared after a transfer of employees under this subsection but before the negotiation of a new collective bargaining agreement shall be resolved as provided in the collective bargaining agreement, except that if the collective bargaining agreement does not provide for a resolution, then as provided in [AS 23.40.070](#) - [23.40.260](#).

(b) Employees of the state or a political subdivision of the state transferred to an authority shall retain, for a period of one year following the date of transfer or for the duration of a collective bargaining agreement transferred under (a) of this section, whichever is greater, all rights of participation in fringe benefit programs available to the employees on the day before the transfer, or in programs substantially equivalent.

(c) [AS 23.40.070](#) - [23.40.260](#) apply to employees of an authority established under [AS 29.35.600](#) - [29.35.730](#) unless all municipalities participating in the authority are exempt under sec. 4, ch. 113, SLA 1972.

§ 29.35.690. Bylaws and regulations

(a) A board shall adopt bylaws and appropriate regulations consistent with the enabling ordinance to carry out its functions and purposes.

(b) A board shall adopt bylaws as soon after the establishment of the authority as possible and may from time to time, amend those bylaws. The bylaws may contain any provision not in conflict with law for the management of the business of the authority and for the conduct of the affairs of the authority, including

- (1) the time, place, and manner of calling, conducting, and giving notice of meetings of the board and committees of the board, if any;
- (2) the compensation of directors, if any;
- (3) the appointment and authority of committees of the board, if any;
- (4) the appointment, duties, compensation, and tenure of officers, directors, chief executive officer, and other employees, if any;
- (5) procedures for adopting regulations;
- (6) procedures for adopting bylaws;
- (7) procedures for making annual reports and financial statements; and
- (8) other matters for the conduct of business by the board.

§ 29.35.695. Authority subject to public records and open meetings laws

An authority established under [AS 29.35.605](#) is subject to [AS 40.25.110](#) - [40.25.220](#) and to [AS 44.62.310](#) - [44.62.312](#).

§ 29.35.700. Annual report

Within 90 days following the end of the fiscal year of an authority, the board shall distribute to the mayor and governing body of each municipality participating in the authority a report describing the operations and financial condition of the authority during the preceding fiscal year. The report may include suggestions for legislation relating to the structure, powers, or duties of the authority or operation of facilities of the authority. The report must itemize the cost of providing each category of service offered by the authority and the income generated by each category.

§ 29.35.705. Audits

- (a) The board shall have the financial records of an authority audited annually by an independent certified public accountant.
- (b) An authority shall make all of its financial records available to an auditor appointed by a municipality participating in the authority for examination.

§ 29.35.710. Remedies

A holder of bonds or notes or coupons attached to the bonds issued by an authority under [AS 29.35.625](#), and a trustee under a trust agreement or resolution authorizing the issuance of the bonds, except as restricted by a trust agreement or resolution, either at law or in equity, may

- (1) enforce all rights granted under [AS 29.35.600 - 29.35.730](#), the trust agreement or resolution, or another contract executed by the authority; and
- (2) compel the performance of all duties of the authority required by [AS 29.35.600 - 29.35.730](#) or the trust agreement or resolution.

§ 29.35.715. Claims

For the purpose of judicial and regulatory proceedings by and against an authority, an authority and its board members and employees enjoy the same rights, privileges, and immunities as a municipality and municipal officers.

§ 29.35.720. Conflicting laws inapplicable

If provisions of [AS 29.35.600 - 29.35.730](#) conflict with other provisions of this title, the provisions of [AS 29.35.600 - 29.35.730](#) prevail.

§ 29.35.722. Ownership or operation of certain state facilities prohibited

The state may not, without the approval of the legislature,

- (1) convey or transfer the Alaska marine highway system, the Anchorage or Fairbanks international airports, or any other state asset, except undeveloped state land as provided in [AS 38.05.810](#) or surplus property, to an authority; or
- (2) enter into an agreement with an authority under which the authority would operate the Alaska marine highway system, the Anchorage or Fairbanks international airports, or any other state facility, system, or function that employs one or more employees.

§ 29.35.725. Definitions

In [AS 29.35.600 - 29.35.730](#), unless the context otherwise requires,

- (1) "authority" means a port authority established under [AS 29.35.605](#);
- (2) "board" means the board of directors of an authority;
- (3) "bonds" includes bonds, bond anticipation notes, notes, refunding bonds, or other forms of indebtedness of the authority;
- (4) "bylaws" or "bylaws of the authority" means the guidelines adopted by and amended by the board from time to time in accordance with [AS 29.35.600 - 29.35.730](#);
- (5) "port" means a facility of transportation related commerce located within the state;

(6) "project" means a port, dock, and administrative facilities, including property necessary in connection with the operation of a port;

(7) "project cost" or "cost of a project" means all or any part of the aggregate costs determined by an authority to be necessary to finance the construction or acquisition of a project, including without limitation to the cost of acquiring real property, the cost of constructing buildings and improvements, the cost of financing the project, including, without limitation, interest charges before, during, or after construction or acquisition of the project, costs related to the determination of the feasibility, planning, design, or engineering of the project and, to the extent determined necessary by the authority, administrative expenses, the cost of machinery or equipment to be used in the operation or rehabilitation of a port, and all other costs, charges, fees, and expenses that may be determined by the authority to be necessary to finance the construction or acquisition;

(8) "real property" or "land" means any interest in real property, including tidal and submerged land, and any right appurtenant to the interest, and without limitation, interests less than full title such as easements, uses, leases, and licenses;

(9) "regulation" means a standard of general application or the amendment, supplement, revision, or repeal of a standard adopted by an authority to implement, interpret, or make specific the law enforced or administered by it or to govern its procedure.

§ 29.35.730. Short title

[AS 29.35.600](#) - 29.35.730 may be referred to as the Municipal Port Authority Act.

[SLA 1992, ch. 97, § 2.](#)

APPENDIX S

Letter of Interest from
Kitimat LNG
November 15, 2007



KITIMATLNG

William Walker
Project Manager Alaska Gas line Port Authority
731 N Street
Anchorage, Alaska 99501
Via e-mail: bill-wwa@ak.net

November 15th, 2007

Re: The Kitimat LNG Terminal as an outlet for Alaskan Gas via a Valdez LNG solution

Dear Bill,

I am pleased to provide this letter of interest stating that we would be delighted to provide LNG terminal services and market access for Alaskan gas arriving via LNG tanker from Valdez. I have enclosed a brief pamphlet outlining the most important features of our project. These include:

- The only approved terminal on the west coast of North America north of Mexico.
- Initial send-out capacity of 1.0 bcf/d scalable to a much larger size,
- Superior marine facilities to accommodate Q-max vessels,
- Better market access than any proposed or existing terminal because of spare downstream pipe capacity and access to points east of the Rockies Basin.
- Access to the fastest growing natural gas market in North America in the Alberta oil sands projects.

The Kitimat LNG project will be operational 36 months following notice to proceed which is dependant upon reaching commercial terms for supply.

If you or any interested parties would like further information please contact me at the earliest convenience.

Kind Regards,

Dale Dickson
Vice President
Risk Management
Kitimat LNG
Telephone: 403-264-3330
Direct: 403-298-1180
Mobile: 403-471-4736
ddickson@kitimatlng.com

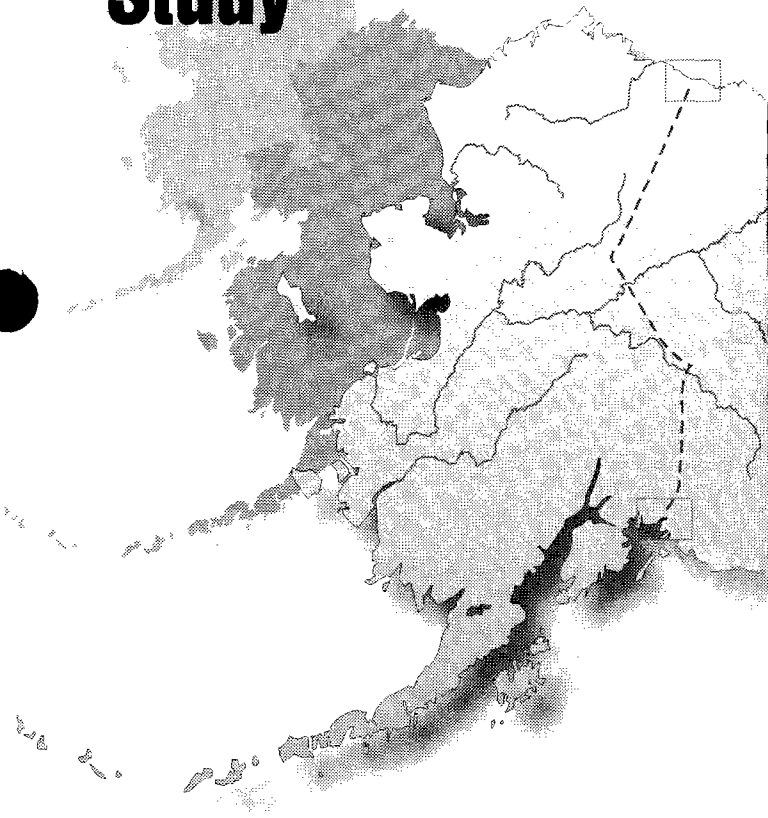
APPENDIX T

Bechtel Engineering, Procurement
And Construction Study
For AGPA Project
May, 2000



Alaska Gasline Port Authority

Engineering, Procurement, and Construction Study



**Gas
Conditioning Plant
at Prudhoe Bay**
(3.4 BCFB)

Pipeline

(48" - 806 Miles)

**LNG Plant
at Anderson Bay
(Valdez)**

(3 Trains - 15 MTPA)

CONFIDENTIAL



F20005005

May 2000
Bechtel Job. No. 97451-001/2

EXECUTIVE SUMMARY

The Alaska Gasline Port Authority (AGPA) was formed by the North Slope and Fairbanks North Star boroughs and the City of Valdez and ratified by the voters in those jurisdictions in October 1999. The AGPA was created specifically to develop the Alaskan natural gas resources on the North Slope to sell to the Asian gas market. Shortly after formation, the AGPA signed a Memorandum of Understanding with Bechtel Corporation for technical assistance in analyzing a project to transport natural gas from the North Slope to an ice-free port in south/central Alaska, where it would be converted to liquified natural gas (LNG) for shipment to Asia.

The AGPA provided the baseline assumption to produce 15 million tons per annum (MTPA) of LNG for sale to the Asian market. From this production requirement, Bechtel developed a scope of work, schedule, and cost estimate for engineering, procurement, and construction (EPC) of a natural gas conditioning plant at Prudhoe Bay, an 806 mile pipeline, and an LNG plant at Anderson Bay near Valdez. The pipeline connecting the two plants is routed through the same corridor and roughly parallel to the existing Trans Alaska Pipeline System (TAPS).

Bechtel has been involved in the Alaska EPC arena for many years. Bechtel has prepared numerous conceptual and feasibility studies of gas development projects in Alaska for various clients, including North Slope oil producers and other parties. Studies completed in 1986 and 1992 covered gas conditioning plants, pipelines, and LNG plants of similar size to the project evaluated in this report. In 1999 an LNG plant site selection study investigated five alternate locations. Other studies have been completed that evaluated different process options for LNG production.

For the current EPC study, Bechtel assembled a multi-disciplinary team of specialists with backgrounds in gas conditioning processes, pipeline design and construction, arctic design and construction, LNG process design and construction, and environmental/permitting. Also included were specialists in the fields of procurement, logistical planning, modular equipment designs and fabrication, scheduling, and cost estimating. Many of the team members were active participants in the earlier Alaska gas development studies, and some had considerable involvement during construction of TAPS.

In order to formulate a basis for the cost estimate, the Bechtel study team evaluated a host of criteria such as: volumes and chemical compositions of the natural gas available on the North Slope; environmental and climatic conditions along the pipeline route and at the two plant locations; known and anticipated environmental requirements and permits; known and anticipated safety and health requirements; market conditions related to procurement of permanent plant equipment and material; current labor-related factors such as wages, benefits, availability, and productivity in Alaska; construction equipment requirements and availability; logistical requirements to transport permanent material, construction equipment, and construction labor to Alaska; and operations and maintenance requirements.

North Slope natural gas contains significant quantities of liquified petroleum gas (LPG) that are recoverable and marketable. For this study, Bechtel evaluated three possible gas compositions. Each composition contains progressively more LPG and is referred to hereafter as the lean, rich, or raw gas case. The base case was considered to be the lean gas case, which has the least amount

of recoverable LPG. Factored cost estimates were developed from the base case for the rich and raw gas cases.

Detailed systems descriptions were then developed for each of the three facilities. The gas conditioning plant and LNG plant were sized to accommodate 15 MTPA of LNG production, with allowances made at the LNG plant for expansion to a 20 MTPA production level. The pipeline was sized for the 20 MTPA case as pipeline capacity cannot be subsequently adjusted; however, compression requirements were based on the 15 MTPA case with provision for later expansion.

The gas conditioning plant includes systems to cryogenically remove carbon dioxide, water, and trace amounts of hydrogen sulfide from the natural gas and to initially compress the gas to pipeline pressures. The gas conditioning plant is sized to process three billion standard cubic feet per day (bscfd) of natural gas based on LNG production of 15 MTPA.

The pipeline is sized at 48-inches outside diameter to accommodate gas volumes of up to four bscfd. An operating pressure of 2,220 pounds per square inch – gauge was determined, with two compressor stations installed along the route to maintain this pressure requirement for the initial 15 MTPA case. Provision were made for the addition of three more stations for the 20 MTPA case. The pipeline is to be buried; therefore, provision was made to operate the line by first chilling the gas to below freezing before introduction into the pipeline to prevent thawing of the permafrost.

The LNG plant includes three process trains based on the Phillips Optimized Cascade LNG Process. Each train is capable of producing five MTPA of LNG. A fractionation system is included to strip LPG from the natural gas prior to production of LNG. The LPG is then separately stored and marketed. LNG and LPG storage and marine loading facilities are included. Provisions to add a fourth LNG process train have been made for the 20 MTPA case.

A detailed execution plan was developed to determine that the project could achieve first LNG production by the target date of October 2005. This is based on an assumed notice-to-proceed with front-end engineering design by September 2000 and financial closure for the project by September 2001.

An evaluation of risks associated with a project of this magnitude was also conducted. Major risk considerations include technology risks associated with the gas conditioning and LNG processes, frost heave/frost bulb along the pipeline, environmental risks, safety and health issues, and seismic risks. The steps required to mitigate or eliminate risk exposure were addressed in the overall project designs and plans and have been factored into each facility cost estimate.

Based on these design and schedule parameters, Bechtel developed a detailed cost estimate. The costs of each facility, configured for 15 MTPA of LNG production, are as follows (expressed in billions of dollars):

FACILITY COSTS (in billions)			
	Lean Gas	Rich Gas	Raw Gas
Gas Conditioning Plant	1.7	2.0	2.3
Pipeline	6.5	6.6	7.0
LNG Plant	3.2	3.2	3.3
Total	11.4	11.8	12.6

The following report describes the results of the EPC study. Information is provided that details the project description, assumptions, and design basis for each facility, as well as the project schedules, risk assessments, and cost estimates.

TABLE OF CONTENTS

1.0 PURPOSE AND OBJECTIVES 1

2.0 PROJECT DESCRIPTION 2

3.0 PROJECT EPC SCHEDULE 29

4.0 RISK 36

5.0 COST ESTIMATE 41

1.0 PURPOSE AND OBJECTIVES

The purpose of the Alaska Development Study is to develop a +/- 20% cost estimate for the engineering, procurement, and construction (EPC) of a natural gas conditioning plant (GCP), a natural gas pipeline, and a liquefied natural gas (LNG) plant. The GCP will be located at the Alaska North Slope near the existing central gas facilities (CGF) operated by the oil and gas producers. The GCP will process 3.4 to 4.0 billion standard cubic feet per day (bscfd) using a cryogenic process to remove carbon dioxide. The processed gas from the GCP will then be transported south via a new 48-inch 806 mile pipeline from Prudhoe Bay to an LNG plant located near Valdez, Alaska. The LNG plant will liquefy the gas for shipment by ocean-going tankers for export to gas users in the Far East. The LNG tankers and LNG receiving facilities for regasification are excluded from this study. The LNG plant study scope includes three processing facilities called trains, each with a capacity of 5.0 million tons per year (MTPA) each for a total plant capacity of 15.0 MTPA.

Three feed gas options were considered in this study. A lean case, a rich case, and a raw case have all been evaluated. The main difference in the three cases is the amount of recoverable liquid petroleum gas (LPG) available at the LNG plant for export. The base case for estimating purposes is considered the lean case, which has the least amount of recoverable LPG.

The results of this EPC study are presented in this report with details addressing each of the three major components of the project – the gas conditioning plant, the pipeline, and the LNG plant. The study provides a schedule as requested by AGPA to produce first LNG by late 2005. This will require significant project development resource allocation and funding in order to achieve this very aggressive schedule.

In order to achieve an approximate 20 percent cost estimate, study tasks and objectives were identified and performed. The tasks and objectives are listed below and presented in the body of this report.

- Determine engineering basis for estimate
- Develop overall EPC schedule
- Provide preliminary assessment of permitting and environmental issues
- Prepare \pm 20% overall cost estimate

2.0 PROJECT DESCRIPTION

2.0 PROJECT DESCRIPTION

OVERALL FACILITIES

Figure 2.0-1, an overall block flow diagram of the facilities, is shown on the following page. The project consists of three main components as indicated below. The pipeline routing, shown in Figure 2.0-2, basically follows the Trans-Alaska Pipeline System (TAPS) routing and is shown following Figure 2.0-1. A detailed discussion of each facility follows.

- Gas Conditioning Plant (Prudhoe Bay)
 - Cryogenic gas conditioning plant to remove carbon dioxide, water, and trace hydrogen sulfide
 - Two trains; sized for three LNG trains (15 MTPA)
 - Process 3.4 – 4.0 bscfd
- Pipeline
 - Prudhoe Bay to Anderson Bay (Valdez) - 806 miles
 - 48-inch diameter pipeline to supply sufficient gas for a four train 20 MTPA LNG plant
 - Chilled gas operation with dense phase capability
- LNG Plant (Anderson Bay)
 - Three LNG trains, each sized to produce five MTPA, based on Phillips Optimized Cascade LNG Process
 - Fractionation plant for LPG
 - Two loading docks

Figure 2.0-1
SYSTEM BLOCK FLOW DIAGRAM

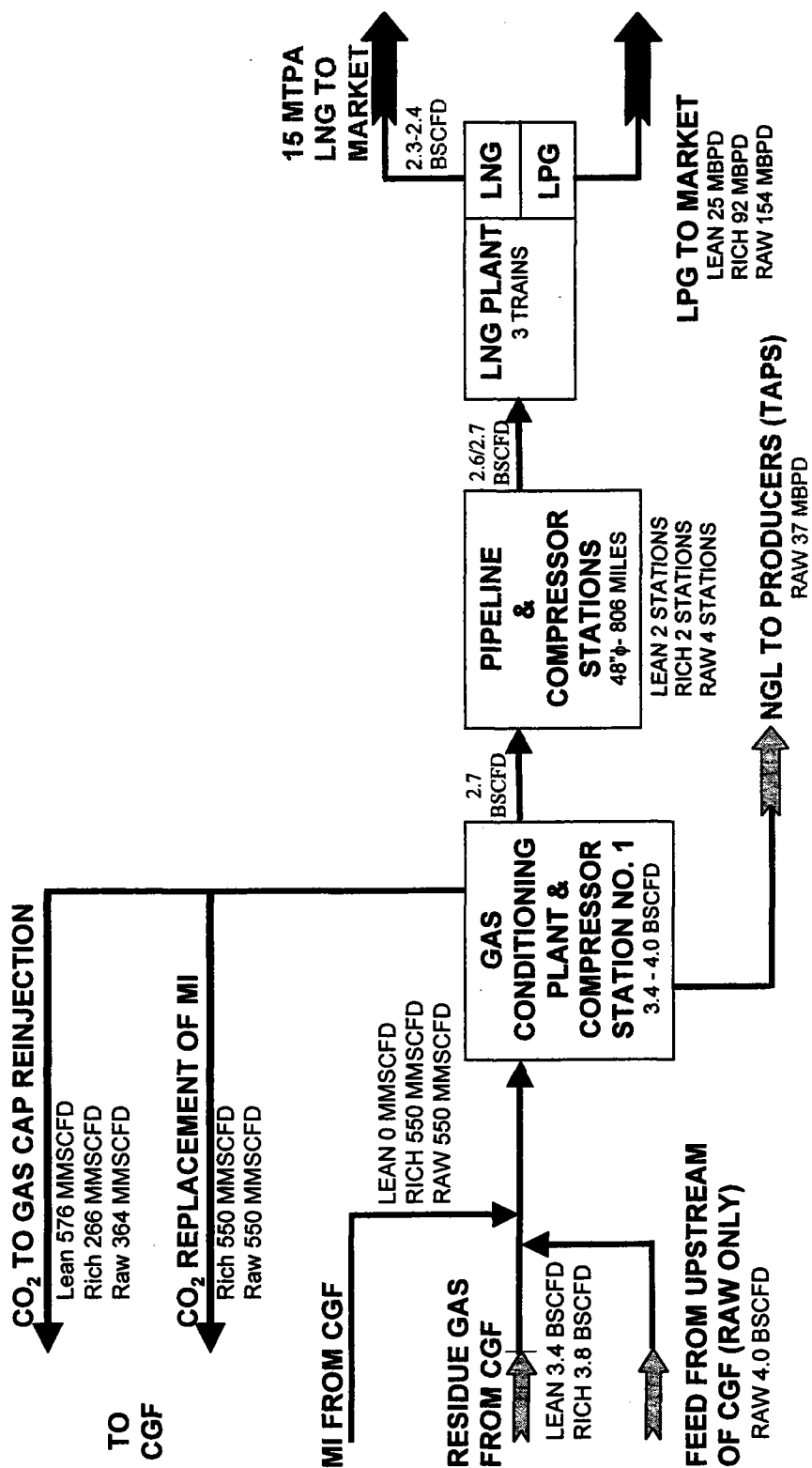
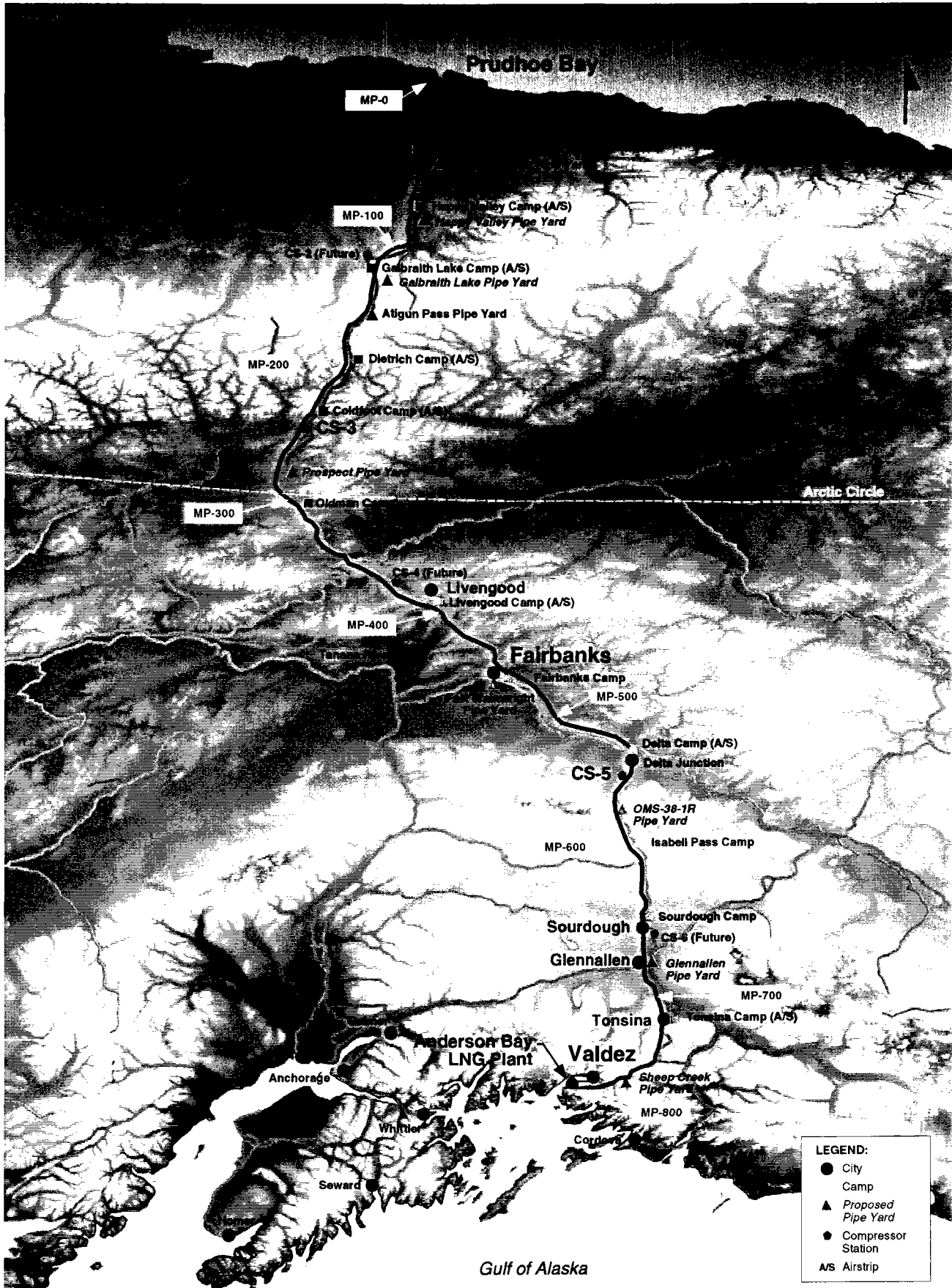


Figure 2.0-2
PIPELINE ROUTING MAP



2.1 GAS CONDITIONING PLANT

2.1.1 Overview

The GCP will be installed near the existing CGF at Prudhoe Bay that removes gas from oil before transporting the oil south to Valdez via TAPS. At the present time the excess gas is being re-injected. About eight bscfd is being processed in the CGF by the Prudhoe Bay producers to support about 1.1 million barrels per day (MBPD) oil production. There are three outgoing streams from the CGF: residue gas for gas-cap injection, NGL to the existing pipeline of the TAPS, and an intermediate stream as a miscible injectant for enhanced oil recovery (EOR) applications.

The three feed gas options considered in this development study, a lean case, a rich case and a raw case, have all been evaluated. The main difference in the three cases is the amount of recoverable LPG available at the LNG plant for export. The base case utilizes the lean case, which has the least amount of recoverable LPG.

Rich and raw cases were also studied. The impact of equipment requirements and additional total project cost for the rich and raw cases is presented in this report. The raw case has the largest amount of recoverable LPG.

The proposed gas conditioning plant consists of the following processing units:

- Dehydration and mercury removal
- Cryogenic process units
- Pipeline gas compression and chilling
- Propane refrigeration
- Ethylene refrigeration
- Flare system
- Refrigerant storage
- Fuel gas
- Waste water treatment
- Power generation
- Lube oil cooling water system
- Fire water system

- Hot oil system
- Plant and instrument air
- Water system
- Nitrogen system
- Waste heat recovery

2.1.2 Environmental and Permitting

Design, construction, and operation of the GCP shall be undertaken in a manner that complies with all applicable state and federal environmental standards and regulations as provided by environmental terms and conditions established by land use, construction, and operating permits for these facilities. This includes standards and regulations relating to biological resources, air quality, and water quality.

It has been assumed that the permitting will be covered under existing operating permits of the producers and only a construction air permit will be required. It will take about three months to prepare this permit. If an environmental impact statement (EIS) is required, it will take about 18 months and will be done in the early design phase of the project.

2.1.3 Design Basis

The GCP design requirements include the following: (1) removing undesirable components to within LNG specifications. The undesirable components are moisture, carbon dioxide, hydrogen sulfide, benzene, and other heavy hydrocarbons; (2) adjusting the product heating value by controlling the amounts of LPG components in the product; (3) compressing and chilling the product to pipeline specifications.

The GCP is designed to supply the needs of three trains or 15 MTPA of LNG. The GCP has two trains to accomplish this.

The GCP consists of three major process sections: dehydration and mercury removal section, cryogenic process section, and pipeline gas compression and chilling section. There are two refrigeration loops, propane and ethylene, to support the cryogenic process. Complete specifications of utilities are included to make plant operations independent of the existing CGF to the maximum extent possible.

Carbon dioxide separation is the main purpose of the plant and the LNG specification sets a maximum of 100 parts per million (PPM) in the product gas. Four towers operating at cryogenic conditions achieve this carbon dioxide separation. An additional four towers are required for other supportive gas separations. Dedicated molecular sieve columns achieve removal of moisture, mercury, and hydrogen sulfide from gas streams. Control of benzene content in the

final product is through proper setting of process parameters and no special equipment is required.

Equipment and piping located outdoors will be designed for arctic operation. In general, low temperature metallurgy will be utilized whenever equipment and material is exposed to low ambient temperatures and where the steel is subjected to operational stress or loading. This includes major structural steel members and pressure retaining parts including piping and vessels. All mechanical, electrical, and safety systems will be designed to withstand extremely low ambient temperatures without experiencing detrimental effects. These conditions will exist during construction or if an extended shutdown were to occur.

2.1.4 Engineering Execution Plan

All engineering will be performed according to quality industry standards, meeting all safety requirements and in accordance to all applicable Alaskan and federal codes and regulations. Engineering for the GCP and the LNG plants follow Bechtel Engineering standards and procedures, very similar to those used at the Trinidad LNG plant recently completed and in operation for about one year.

The project will be conducted in an environmentally sound manner and in compliance with all relevant Alaskan and federal environmental laws and regulations. Local, state, and federal permits were identified and will be submitted in the design phase in order to support the construction schedule. All required operating permits were identified and will be submitted by the project during design.

The plants will be designed to be totally self sufficient with respect to power generation and utilities. The plants will be controlled with a distributed control system (DCS) and protected with emergency shut down (ESD) and fire and gas protection systems.

For the Alaska Gas Development Study, engineering documents and drawings were prepared by Bechtel with the exception of the LNG loading dock and the LNG storage tanks. Consulting specialists prepared these according to Bechtel specifications. Engineering schedules were prepared listing deliverables for all disciplines and the design criteria for the project was developed. Plot plans were developed based on process flow sheets, equipment sizes, and design data. Longest lead time/key plant design mechanical equipment items were solicited for budget quotations.

Constructability evaluations of all designs and installation techniques were reviewed, focusing on methods to facilitate the construction work and improve the schedule. In order to ensure that all aspects of the design and installation were thoroughly considered, Bechtel consulted with contractors familiar with construction in Alaska to obtain their comments.

A preliminary hazards analysis was conducted with the assistance of a third-party safety consultant, who reviewed the design basis with the project team. Recommendations were incorporated into the project design.

2.1.5 Procurement

Purchase of the project's permanent equipment and material will be conducted by competitive bidding to obtain the best price. Sourcing of permanent equipment and material will be global to ensure that the project has access to all of the most qualified suppliers.

Purchasing will include bidding and pre-commitments for long lead major equipment prior to financial close in order to 1) secure shop space for the project to ensure that material and equipment deliveries will be made to meet the project's construction schedule and 2) obtain important vendor data to incorporate into the overall project detailed design. Final award of purchase orders and the start of production for these items will be conditional on financial close to protect the project from cancellation costs should the job not proceed.

Supplier quality assurance and quality control will be strictly monitored and enforced. Frequent audits and inspections of all major equipment shops and all bulk material suppliers will be conducted throughout the production of the project's permanent equipment and material. All supplier engineering, procurement, and fabrication activities will be closely monitored to ensure key events occur on schedule and potential problems are resolved before they become serious enough to impact schedules.

2.1.6 Logistics

Conventional over-the-road transportation cannot be considered for the prefabricated modules, which will be used to construct this plant due to their extreme weight and dimension. The only practical manner in which to move cargo of this size to the North Slope is by barge. Timing is an integral part of this plan as the shipping window into Prudhoe Bay is limited to the period when the ice recedes.

A total of approximately 27 barges will be required to transport these large modules. The current plan is to have barges originate from the U.S. Gulf Coast, from Asia Pacific, and from Dutch Harbor Alaska.

This plan assumes that all available modules from Asia Pacific and vendor assemblies from the U.S. Gulf Coast will be loaded onto barges directly from their fabrication yards.

Some modules and vendor assemblies originating from Europe will be loaded onto heavy lift or roll-on, roll-off (RORO) vessels for shipment to Dutch Harbor Alaska, where they will be transferred to barges for the final leg of their journey.

Based on a 1998 study containing 45 years of data, the average length of the open water season between Point Barrow and Prudhoe Bay is 41 days, from approximately August eighth to September fifteenth.

Only once during this period, in 1975, was there essentially no open water season between Point Barrow and Prudhoe Bay. Since 1975, the shortest open water season was approximately 26 days, occurring in 1982, 1988, and 1992. During this same period, the longest open water season was approximately 68 days, occurring in 1993.

Considering the variations in the length of the open water season, the project barge movement plan will ensure that all barged modules will be marshaled at or near Point Clarence, Alaska prior to mid-July, waiting for open water passage to Prudhoe Bay. Surveillance aircraft will be employed to monitor the ice conditions so that final passage may begin as soon as it has been deemed safe to proceed.

For planning purposes, Bechtel will consider the open water season between Point Barrow and Prudhoe Bay to be 21 days. During this period, all modules will be offloaded at Prudhoe Bay, the barges reloaded with the heavy haul equipment and returned to a point east of Point Barrow.

Each barge will ship to Point Clarence to be properly fitted for the final voyage and to await open water in Prudhoe Bay. As conditions become favorable, the barge fleet will make the final move to Prudhoe Bay with tandem tows. Ice reconnaissance planes will also be deployed to chart ice pack motions and report to the barge fleet for navigation.

Docking facilities in Prudhoe Bay will be limited to the West Dock Two. This is the only dock suitable for unloading modules in Prudhoe Bay. However, the draft at this dock is estimated to currently be between 6-1/2 to 7 feet in depth. This is insufficient for the 400' x 100' barges when fully loaded and will require lightering from these large barges to smaller barges to safely discharge at the West Dock Two.

When the barges arrive at West Dock Two, they will be moored in a load-out position by the barge operator and ballasted to a position level and flush with the dock. There will be sufficient access at the dock for mooring two barges.

As part of this planning process, Bechtel performed preliminary planning for module transport and final placement and the setting of the eight major columns at the GCP.

The construction contractor will be responsible for removing all module temporary sea fastenings from the barges. Once these fastenings have been removed, self propelled modular transporters (SPMT) will be configured with the appropriate number of axles or lines, according to the size and weight of the particular module, and moved onto the barge and set under the module. The heavy haul contractor will be responsible for providing the bridge ramps that will be connected to the barge(s).

Once the SPMT is positioned, the module will be raised and set on the transporters using the hydraulic lifting system, which is integral to the SPMT. After securing the module to the SPMT, the SPMT will slowly move the module toward the ramp and over the ramp onto the shore. During this movement, continuous ballast adjustments will be required to compensate for the weight transition as the module moves from the barge to the shore.

Once on shore, the SMPT and module will continue to the site and drive to the exact foundation location for the module. As discussed in other sections of this report, the road from West Dock 2 to the GCP is approximately eight miles long and is 40- to 50-foot wide with an elevated gravel base sufficient to support transporting the modules. The module will then be lowered onto its foundation, again using the hydraulic lifting system on the SPMT. The SPMT will then be returned to the dock area to repeat this process. Conventional trucks and trailers will be used to speed the return of the SPMTs to the dock.

While the first module is being transported to the site, a second module will be loaded onto another SPMT and begin its journey. All modules will be transported and set in this manner. It is estimated that each round trip will require approximately 24-26 hours for modules weighing 2,000 tons or more. Smaller modules will take 16 to 20 hours for each round trip.

It is expected that three or four sets of SPMTs will be required to deliver all modules and columns within the allotted weather window. Off-loading and placement of modules will occur on a 24-hour per day, seven days per week basis.

Off-loading of the eight major columns from the barges will be performed using SPMTs in a manner similar to that employed for the modules. However, a large crawler crane, such as a Manitowoc M2250 or equivalent, will be mobilized on the site for erecting the major columns. This crane will be delivered overland to the site and assembled prior to the arrival of the first barge, as will the SPMTs.

Tailing of the columns will be accomplished by either mobilizing a second large crawler crane or connecting a tailing frame, supported by the SPMT, to the skirt of the columns.

The columns on the north side of the process modules will be set first, followed by those located on the south side of the process modules. Preliminary planning suggests that one column will be set per day.

General cargo will be delivered and consolidated on the U. S. West Coast. In the early stages of construction when shipment volumes are low, a liner barge service will be used that originates on the West Coast of Alaska. Shipments will be made and discharged onto trucks in Alaska for final shipment to the gas conditioning plant on the North Slope.

2.1.7 Construction

The construction execution plan for the GCP is based on modular fabrication at selected yards worldwide.

The work in the module yards will be maximized and will include to the maximum extent possible all module construction, equipment installation and interconnection, and component testing while the modules are still in the fabrication yards.

The module construction execution plan is based on the process module fabrication in South Korea, compressor module fabrication in Italy, and utility module and vendor assembly fabrication on the U.S. Gulf Coast.

The work at Prudhoe Bay will consist of preparing the site, off-loading, setting, and interconnecting all modules, vendor assemblies, and major columns. A small amount of non-module piping will be required. A competent contractor under Bechtel's direction, supplemented by specialty subcontractors, will execute the work at Prudhoe Bay.

Although the module fabrication subcontracts will be awarded on a lump sum turn key (LSTK) basis, construction will mobilize a team at each major fabrication facility to oversee the quality and schedule performance of the subcontractor.

This team will operate under the leadership of a module yard manager. During the early stages of the project, the module yard manager(s) will be located in the project's engineering office to assist with the qualification and selection of the module fabricators, constructability issues, and the optimum detailed EPC schedule for the modules under his purview.

Upon mobilization to the fabrication yard(s), skilled field engineers, subcontract managers, and necessary project support personnel are to ensure the quality and schedule performance of the fabricator, who will assist the module yard manager.

The fabrication of modules may be considered individual "stick built" units. Consequently, the most efficient module construction strategy involves maximum prefabrication of both structural assemblies and piping assemblies at ground level. These prefabricated structural and piping assemblies are then assembled in the appropriate location on the module assembly. For multi-level modules, these module assemblies or levels are also fabricated at ground level.

Construction of the GCP at Prudhoe Bay will begin with the mobilization of the site preparation and piling contractor during the third quarter of 2003. Mobilizing during the fall months will allow as much work as possible to be performed when the ground surface is covered with snow and is sufficiently frozen to support construction equipment without compressing or disturbing the tundra. Once the gravel pad is complete, installation of piles will occur. Adfreeze piles will be used for the module and column foundations. Preliminary engineering indicates that there are approximately 1,500 piles required for the GCP.

The module erection sequence plan was prepared to allow outside assembly activities to begin as soon as possible to take advantage of Alaska's remaining summer weather conditions. As each module is positioned in its final location, piping and electrical crews will begin the installation of cable trays and pipe spools for each module. As adjoining modules are set, structural steel crews will begin bolting or welding the modules together and completing the siding between the modules. This will provide a weatherproof enclosure in which to complete all inter-module connections. Temporary lighting and ventilation will be employed to maintain a safe and productive working environment. In an effort to minimize the scope and quantity of work that must be done in Prudhoe Bay, the modules will be delivered as complete as practical, including all applicable testing and check out. Piping and electrical between modules will be designed and fabricated to minimize interfaces to the greatest extent possible. All required pressure testing of piping systems will be performed in the module fabrication yards. It is anticipated that field welds completed at Prudhoe Bay will be subject to x-ray or other non-destructive examination in lieu of pressure testing. It is further anticipated that any significant scope of chemical cleaning

required within a module will also be performed in the module yard and that cleaning or flushing at the site shall be minimized.

Preliminary discussions with existing North Slope contractors indicate that there is sufficient camp capacity at Prudhoe Bay to accommodate the approximately 550 persons required to construct the GCP. The available space is located at the Frontier Camp, several camps near Deadhorse Airport, the ARCO Camp, and the BP Camp. Preliminary planning would house the craft personnel at the Frontier Camp and arrangements would be sought to house the non-manual staff at either the existing ARCO or BP camp. Camp catering, housekeeping, and camp operating services are available locally.

Construction equipment such as hydraulic cranes, tools carriers, and air compressors, are available for lease from several companies operating in Prudhoe Bay. Arctic fuel is produced by both ARCO and BP and is available from local bulk fuel distributors. Although construction temporary power is currently planned to be provided by diesel generators, electricity is generated at the North Slope.

2.1.8 Operating and Maintenance Philosophy

The CGP is designed to operate on a 24-hour basis. In conjunction with existing procedures currently employed at the NGL/EOR plant of CGF at the North Slope, a comprehensive operational safety management program will be pursued to ensure the safe startup and operation of the plant and the overall effectiveness of hazard control through all stages of activities.

The plant will be commissioned, operated, and maintained in a safe manner in accordance with recognized standards and codes of practice. All applicable measures will be specified and adopted to protect the safety of the public and employees. An active safety management program will be implemented and continually updated throughout the operation of the plant.

Where required, combustible gas detection devices will be installed in the plant. A detection system consisting of flame detectors and gas sensors will be used to provide an early warning signal in the event of a malfunction in the plant. Low temperature sensors will be used to detect any cryogenic leaks and spills. The plant will be equipped with an emergency shutdown system to ensure the safety of the plant equipment and the environment under emergency conditions. An onsite-training program for all operations personnel will be prepared and delivered by Bechtel and other necessary specialists and vendor representatives. Training manuals will be prepared for classroom sessions and for field inspection of the actual equipment and controls systems.

2.2 PIPELINE

2.2.1 Overview

This study was conducted to determine the estimated cost of engineering, environmental planning, permitting, procurement, construction, and commissioning of a pipeline system to transport natural gas (and, potentially, natural gas liquids in a dense gas phase) from a grassroots gas conditioning plant to be located in the Alaskan North Slope gas fields near Prudhoe Bay, Alaska, to a grassroots LNG facility located near Valdez, Alaska. The pipeline is sized to deliver sufficient gas for 15 MTPA of LNG production initially, with consideration for 20 MTPA of LNG production in the ultimate case.

The pipeline system consists of:

- a 48-inch diameter buried pipeline that is approximately 806 miles in length
- 37 mainline block valve sites (excluding valves at compressor station sites)
- gas metering at the LNG plant
- three compressor station facilities for the initial case (one of which, CS1, is included with the gas conditioning plant and is excluded from this portion of the study), and an additional three future compressor station sites for the ultimate case
- gas cooling facilities (and gas/liquids handling facilities for rich and raw gas cases) at each compressor station
- scraper launcher and/or receiver facilities at the beginning and end of the line and at each compressor station, including future compressor stations
- permanent power at remote locations, as required
- voice and data communications system
- Supervisory Control and Data Acquisition (SCADA) system

Refer to the location map provided earlier in this report for the location of the pipeline route, compressor stations, camp sites, airstrips, marshalling yards, and major access roads, plus the upstream gas conditioning plant/compressor station one and the downstream LNG plant.

2.2.2 Environmental and Permitting

Anticipated environmental conditions, regulatory requirements, and resource protection measures were integrated into the study design, logistics planning, construction planning/scheduling, and restoration. Cost estimates were generated for various environmental functions and major tasks to include: agency coordination and permit acquisition; drafting comprehensive mitigation plans and procedures; subcontracting environmental field surveys; developing an environmental awareness training program for construction workers; implementing an environmental compliance inspection program for pipeline construction; and evaluating potential compensation/mitigation costs for certain unavoidable, long-term environmental impacts.

A detailed review of environmental conditions, required permits, and other regulatory authorizations was conducted to determine the extent and duration of effort necessary to obtain all government approvals to construct the proposed pipeline. The following major assumptions were made:

- The existing federal [e.g., the Department of Interior's grant of right-of-way (ROW)] and State of Alaska (e.g., conditional ROW lease, Coastal Zone Consistency Determination) authorizations that have been issued for YPCs proposed Trans-Alaska Gas System (TAGS) would be valid for this project and could be transferred to a new sponsor. Thus, no new environmental impact statement nor supplements would be required to build a new natural gas pipeline as long as the project utilized the existing TAPS corridor and terminated with an LNG facility in Anderson Bay.
- Federal and state approvals, oversight, and field inspection of this project would be conducted primarily by the existing Joint Pipeline Office, composed of government officials from various federal and state agencies [e.g., Bureau of Land Management (BLM), Alaska Department of Fish and Game (ADF&G), Alaska Department of Environmental Conservation (ADEC)].
- The Federal Energy Regulatory Commission (FERC) would have no involvement in authorizing pipeline construction or inspecting the work because this project is not an interstate pipeline. FERC's Declaratory Order regarding its TAGS jurisdiction (1987) would apply to this project.

Numerous federal and state permits and other authorizations (e.g., approval of final design, comprehensive mitigation plans, timing of construction in sensitive streams) will have to be obtained prior to construction. Examples of some of the required permits include: Corps of Engineers Section 10 permits for work in navigable waters and Section 404 permits for wetland construction; stormwater discharge permits; solid waste and wastewater disposal permits from ADEC; cultural/archeological clearances; temporary and special use permits from BLM (e.g., camps, access roads, material sites, disposal sites); water withdrawal and disposal permits; and ADF&G Title 16 permits for constructing in fish streams. In total, over 850 federal, state, and local permits/authorizations will be required to construct a new natural gas pipeline.

Approximately three years will be required to obtain all the necessary agency permits, receive approvals for final design and environmental mitigation measures, and issuance of notices-to-proceed for construction. To accomplish this major task and not delay construction, an experienced environmental staff composed of environmental scientists, engineers, and technicians will have to be mobilized early to initiate close coordination with the regulatory and resource agencies and begin the formal permit acquisition process. Local Alaskan environmental consultants (e.g., raptor specialists, wetland biologists) will be subcontracted to perform various field studies to fill data voids and meet agency requirements for up-to-date resource information prior to construction.

Recognizing the sensitivity and importance of the environmental values, particularly fish and wildlife resources, associated with the proposed natural gas pipeline corridor, Bechtel plans include comprehensive environmental input during all phases of project development and execution. A multi-disciplinary team approach will be used during permitting, final design, construction, and restoration. Special attention will be given to the development of technically sound mitigation measures to prevent unnecessary adverse environmental impacts during construction and operation. All efforts will be made to use existing facilities (e.g., previous camp locations, access roads) as much as possible and reduce the size of new ancillary facilities (e.g., material and disposal sites, compressor stations) to minimize surface disturbances. Buffers will be maintained from sensitive resources (e.g., Dall sheep lambing areas, raptor nest sites) and timing of certain construction activities (e.g., open-cut crossings of fish streams) will be restricted to the least sensitive time frames of the affected resources. Workpads will be constructed to minimize thermal degradation of permafrost areas and protect stream riparian zones. Drainage structures (e.g., bridges, culverts) will be installed to handle anticipated surface runoff and provide fish passage. Temporary erosion and sediment controls (e.g., silt fence, water bars, settling basins) will be installed and maintained throughout construction by designated environmental crews.

Detailed environmental specifications will be developed and issued for use by construction subcontractors and will address activities such as: clearing and site preparation; grading the ROW; blasting; trenching and spoil containment; lowering-in and ditch dewatering; backfill and rough grading; cleanup; installation of temporary and permanent erosion and sediment controls; stream and wetland construction; maintaining fish passage; and revegetation/restoration. A comprehensive environmental inspection plan will be finalized that contains responsibilities of environmental inspectors and specific procedures for environmental compliance inspection, documentation, and reporting during construction.

An experienced environmental inspection team will be mobilized prior to the initiation of construction and will remain in the field until all construction activities have been completed, including final cleanup and restoration. All construction activities will be monitored and inspected in accordance with the federal ROW grant and state lease stipulations, agency permits, approved plans, and project procedures and specifications. As various construction activities are completed (e.g., backfilling of the trench, close-out of material sites), cleanup will occur and restoration measures will be installed as per approved plans, permits, and specifications.

2.2.3 Safety And Health

The study considered the cost of planning and implementing actions necessary to protect the safety and health of the work force and surrounding communities during construction of the project and included the following major influences:

- Bechtel's core safety and health policies, guidelines, and procedures that are based on national codes and standards
- Knowledge of safety and health risk issues and appropriate controls gained from previous experience on similar large-scale projects
- Clear understanding of the significant safety and health issues associated with development of a natural gas transportation and liquification system in Alaska

The overall goal is for all members of the project team to share in the commitment to excellence and to feel individually and collectively accountable for achieving results commensurate with the highest levels of safety and health performance.

With respect to safety performance, all contractors and subcontractors will fully embrace a Zero Incident Tolerance policy and will manage their daily activities to achieve the target of zero injury or illness cases, zero fatalities, and zero incidents of a nature that adversely impacts the work force, the environment or its inhabitants, property, process, or equipment. Safety management will be based on the prevention of risk through the use of design options where practicable, followed by mitigation and management controls to control and reduce residual risk.

Health management standards will be identified and established early on, based upon the hazards associated with work in arctic and subarctic regions, the health risks arising from such hazards, the existing standard of accident and emergency care, and the resources required to sustain these standards throughout construction. The project will provide the communication and emergency transportation needed to enable any injured worker to be given relevant medical care. The project will also provide a proactive medical service to construction workers to prevent chronic work-related health injuries.

A comprehensive safety and health management system will be implemented that relies heavily on proven planning methods, procedures, and training techniques to achieve the safety and health objectives. Detailed safety and health procedures will be developed for the project during the final design phase. These procedures will be incorporated into the project's safety and health core process manual, which will include safety and health standards, critical programs, core procedures (e.g., general safe work, hazardous work, emergency procedures), and supporting procedure instructions upon which all project work activities will be based. All project and subcontractor personnel will be required to abide by the Core Process manual, associated work rules, and state public safety requirements.

All project personnel will be trained in the proper use and safe handling of equipment assigned to their respective work responsibilities. Equipment will be inspected by every user prior to and as necessary during use. Routine maintenance and servicing of equipment will be performed to

keep equipment in safe operating condition in accordance with the manufacture's specifications and schedules. Some equipment will also require periodic manufacturer inspection, maintenance, or re-certification.

An experienced safety and health inspection team will be assigned to each construction spread to train construction workers and monitor the different work locations (e.g., camps, compressor stations, ROW), work processes, and equipment operation and maintenance to ensure compliance with all applicable safety and health rules, plans, procedures, and other requirements. The safety and health inspectors will have the authority to stop work and direct immediate corrective actions to prevent or rectify the occurrence of unsafe and/or unhealthy work practices.

2.2.4 Design Basis

The gas pipeline will initially transport approximately three bscfd of natural gas over a distance of approximately 806 miles from a gas conditioning plant on Alaska's North Slope to an LNG plant in Valdez, Alaska. The pipeline will be designed for expansion to four bscfd. These volumes correspond to the 15 MTPA/lean gas case and the 20 MTPA/raw gas case, respectively.

The feed gas is free of moisture, carbon dioxide, and mercury. The estimate presented in this report is based on a lean gas composition, which has minimal amounts of natural gas liquids. Two other compositions, containing progressively larger amounts of natural gas liquids and labeled "rich gas" and "raw gas," have been identified as possible alternatives. Deviations in the facilities configuration required to accommodate these alternative compositions are briefly covered in this report.

Pipe sizing has been established at 48-inches, outside diameter, based on the ultimate design condition. The pipeline will operate at a pressure of 2,220 pounds per square inch – gauge (psig). All pipe in process gas service will comply with American Petroleum Institute (API) Standard 5L, Grade X-80, as required.

The pipeline is assumed to be buried along its entire length, both for safety and to lower the overall cost of the system. Routing of the pipeline is roughly parallel to and in relatively close proximity to the existing TAPS line. It is planned that a minimum 200-foot separation will be maintained between the project's pipeline and TAPS, except at points where the pipelines may cross.

A total of six compressor station locations have been defined, which will support the ultimate pipeline capacity. The originating compressor station is part of the scope of the North Slope gas conditioning plant. Five intermediate compressor stations are in the scope of the pipeline. Sufficient compression will be installed to transport the initial flow. Compressors will be driven by gas turbines. Compressor stations not needed for the initial flow condition will be equipped with scraper traps and valves for station bypass and isolation to facilitate later expansion of the pipeline system.

To avoid soil instability associated with thawing permafrost, gas from the compressor discharge at each compressor station will be cooled to 28°F. In winter, when the ambient air temperature is 20°F or lower, air-cooled heat exchangers (coolers) will be employed to cool the gas. When

ambient air temperatures are higher than 20°F, refrigeration systems utilizing propane as refrigerant will be employed.

Turbine-driven generators will provide electric power at all compressor stations. Potable water and firewater will be stored on site in a fresh water storage tank. Other required utilities, including compressed air, and sanitary sewer treatment, will also be provided on site. Waste heat from the generator units' exhaust will be recovered for space heating. Accommodations will be provided for 10 persons, and all plant equipment will be protected by arctic-grade buildings. The buildings will be installed on piles above a gravel pad to protect the permafrost.

The pipeline scope includes 37 mainline block valve stations. Each station will consist of a mainline block valve and mainline venting. Valves will be configured to allow for remote operation. Electric power for the valves, control equipment, space heating, and fuel gas heating will be generated on site by an engine-driven generator. Equipment will be protected by arctic-grade buildings installed on piles above a gravel pad to protect the permafrost.

Supervisory Control and Data Acquisition (SCADA) and telecommunication systems will be included in the design. These systems will be provide ongoing and real-time monitoring and control of the entire pipeline system and will be configured to allow for remote operation of the entire system from the LNG plant located at Valdez, Alaska. A backup control room will be included in the gas conditioning plant located at Prudhoe Bay, Alaska. Provision will be made to allow for local control of the systems at the compressor stations and mainline block valve stations.

Safety and security systems will be incorporated into the overall design, including fire and gas detectors and alarms; intrusion detectors and alarms; fire suppression systems; and passive fire protection such as building spacing, fireproof coatings, and fire barriers. Sites will be fenced.

2.2.5 Engineering Plan

The pipeline system shall be designed in accordance with recognized codes and standards applicable to U.S. gas pipeline construction. Design will address all environmental, safety, and health planning and permitting issues applicable to the project. It is expected that the regulators overseeing and approving the project's planning and design will actively participate in project reviews prior to submission of permit applications to ensure that the system design and plans address all required safety and environmental features in a manner acceptable to the regulating agencies.

Extensive field surveys will be conducted at the earliest weather opportunity following the notice to proceed with the front-end phase. Field surveys will include a complete route survey for use in preparing pipeline alignment drawings, subsoil investigations for geotechnical design, soils resistivity surveys for corrosion protection and grounding designs, and topographical surveys at above-ground facility sites.

Detailed design considerations include application of an external coating to the pipe and installation of a cathodic protection system to prevent corrosion of the pipe during the operating life of the pipeline system; installation of pipe insulation under river and stream crossings where

necessary to prevent formation of ice dams and attendant damage to fisheries; site-specific pipeline design measures to prevent/mitigate frost heave impacts on the pipeline in both continuous and discontinuous permafrost zones; internal lining of the pipe to lower commissioning and operating costs, while providing more gas throughput; site-specific buoyancy control measures, as required; and site-specific design measures to secure the pipeline at seismic fault crossings. Design studies will be conducted on each of these issues in which alternates will be evaluated to determine the optimum overall design.

A detailed analysis of system reliability and availability will be conducted during detailed design to ensure that the pipeline will continue to feed gas to the LNG plant without interruption. Availability will be addressed in part by providing spare equipment. Included are one standby spare compressor unit per station to provide back-up for the two operating units; coolers will have 25 percent spare capacity, one standby spare bay for every four operating bays; each refrigeration system will include one spare turbine-driven compressor, and 25 percent spare air-cooled heat exchangers (propane coolers); each valve site will have one spare generator; and communications/SCADA will include both a primary (microwave) and a backup (satellite) system.

Hazard and operability (HAZOP) reviews will be conducted to ensure the system design is capable of handling a variety of upset conditions in a safe and environmentally sound manner.

2.2.6 Procurement/Logistics Plan

Purchase of the project's permanent equipment and material will be conducted by competitive bidding to obtain the best price. Sourcing of permanent equipment and material will be global to ensure that the project has access to all of the most qualified suppliers.

Purchasing will include bidding and pre-commitments for mainline pipe and other key items of major equipment prior to financial closure in order to 1) secure shop/mill space for the project to ensure that material and equipment deliveries will be made to meet the project's construction schedule, and 2) obtain important vendor data to incorporate into the overall project detailed design. Final award of purchase orders and the start of production for these items will be conditional on financial closure to protect the project from cancellation costs should the job not proceed.

Supplier quality assurance and quality control will be strictly monitored and enforced. Frequent audits and inspections of all major equipment shops and all pipe mills will be conducted throughout the production of the project's permanent equipment and material.

Pipe and other permanent material will be delivered to various ports in Alaska (primarily Seward, Valdez, Whittier, and Anchorage, and potentially Prudhoe Bay), then shipped inland to the various staging yards and jobsites located along the route. Inland shipping in Alaska will include a combination of rail and trucking, as appropriate.

Ocean shipment of bulk materials will be coordinated to combine shipments and obtain the lowest freight rates. Mobilization of construction equipment and material will be handled in a similar manner.

An extensive material control program will be developed and implemented to plan, track, and control vendor deliveries, jobsite warehousing, and final installation. All permanent material will be properly inventoried and maintained throughout delivery, construction, and commissioning.

2.2.7 Construction Plan

Construction personnel will be accommodated in camps to be provided by the project. A total of twelve camps are anticipated. Each camp will be sized to meet peak demands at its location. Two camps are located in close proximity to the planned location of the two compressor station sites and will be sized to accommodate both pipeline construction and compressor station construction personnel. Overall, camp sizes will range from 600-persons to 1100-persons based on a peak pipeline and compressor station staffing that is estimated to be in excess of 6,000.

Construction of the pipeline will be divided into multiple "spreads" (i.e., major construction segment assigned to one subcontractor). The spread subcontractors will be responsible for provision of all required labor and construction equipment. Sub-tier contractors will be used for specialty work.

A series of craft training programs, such as welder training, will be conducted as a coordinated effort between the prime construction contractor and the spread subcontractors. These training programs are intended to provide opportunities for local Alaska residents to qualify for jobs on the pipeline and to supplement the pool of qualified labor available to the project.

Pipeline construction will utilize a combination of graded right-of-way, snow/ice workpads, and gravel workpads. Automatic welding will be used to improve both the quality and the speed of the welding effort. Ditching will be accomplished by a combination of explosives and by the use of chain-type trenching machines. Crossing of certain rivers and streams (e.g., major rivers, selected sensitive fish streams) may be installed by directional drilling or microtunneling in order to minimize potential environmental impacts. After installation and burial of the pipeline, the right-of-way will be restored in accordance with the project's environmental plans.

Compressor stations will be constructed on-site in lieu of modularization. Buildings will be shop-fabricated for field erection. Shop prefabrication of some piping may be conducted to save overall capital cost. A concrete batch plant will be located at each station site due to remoteness. These batch plants will also service portions of the pipeline construction effort.

The pipeline and compressor stations will be installed in both the summer and winter seasons to take advantage of each season's unique conditions; i.e., summer's mild temperatures and extended daylight, and winter's cold to protect the permafrost. Whereas all-summer or all-winter construction runs the risk of unusual weather conditions severely impacting schedule, this year-round approach provides the greatest assurance of completing the job on schedule as the project can better adjust to unusual weather extremes.

2.2.8 Operations and Maintenance Philosophy And Structure

The fundamental operating objective of the pipeline is to safely and efficiently transport all natural gas volumes from the supply point at the Prudhoe Bay gas conditioning plant to the delivery point at the LNG plant on a steady-flow basis within the system's design capacity.

The pipeline system will be designed and constructed to be capable of operating 24 hours per day, 365 days per year at the minimum flow rates required by the LNG plant while simultaneously allowing critical repairs, inspections, and testing of the pipeline facilities. To the greatest extent possible, all planned and predictable component inspection and maintenance shall be accommodated without compromising the system's capability to deliver gas at the required operating conditions.

To enhance the overall system availability, the design includes a number of backup provisions such as one spare gas compressor at each station, one spare propane refrigeration compressor at each station, one spare generator at each valve site, spare cooling capacity at each station, backup power generation at the compressor stations, and backup voice and data communications systems.

The pipeline system will be remotely monitored and controlled from a main control center located at the LNG plant. A backup control center will be located at the gas conditioning plant. These facilities will be linked to the compressor stations and mainline valve sites via a microwave voice and data system, backed up by a satellite voice and data system. Operating data will be continuously captured, processed, and displayed at both control centers.

Operations staff will be on duty twenty-four hours a day at the main control center. Initial operator training will be conducted during commissioning and startup of the pipeline system. A training program will be developed to train new operators after the pipeline system is turned over to the owner for commercial operations.

Fiscal metering and chemical analyzing of the gas will be conducted to verify gas quantities and composition, respectively, prior to release to the LNG plant. Monitoring of the gas will also include metering of gas consumed at each compressor station and mainline valve site to run the turbine driven compressors and the power generators.

A comprehensive maintenance program will be implemented to ensure the system continues to perform at peak availability and reliability, while upholding specified product quality and quantity. This program will include regular reconnaissance surveys, routine maintenance at all above ground facilities, and regular internal surveys of the pipeline by using an intelligent pig to detect the occurrence of corrosion and line displacement. Spare part requirements and operator and maintenance personnel training will be minimized to the greatest extent possible by the use of standardized components. The maintenance program will comply with all applicable legislation and company policies regarding health, safety, environment, and security.

Health, safety, environment, and security policies will be developed to preserve and protect project assets, operations and maintenance personnel, the general public, and the environment. These policies will address such issues as preventative measures against exposure to disease,

noise, and dangerous chemicals and other industrial hazards; appropriate allowances for personnel accommodation, as required; access to medical and other emergency services; response to emergency (upset) conditions within the pipeline system; provision and maintenance of automated pipeline shutdown systems; protection of flora and fauna; erosion control; and provision of fences and area lighting.

2.3 LNG PLANT

2.3.1 Overview

The feed gas to the LNG plant is received through an 806-mile pipeline, which originates at Prudhoe Bay from the North Slope GCP. The GCP uses a cryogenic process for the carbon dioxide removal. Since the majority of the gas contaminants are removed at the GCP, the amount of inlet feed gas treating required at the LNG plant is minimized. The details of the GCP are highlighted in Section 2.1.

The LNG plant study scope includes three trains of 5.0 MTPA each. The site will be prepared for installation of a future fourth train. The study includes the facilities within the plant fence and the LNG loading dock. The inlet slug catcher, pig receiver, and metering system are all included in the pipeline scope of work and are excluded from the LNG plant scope.

The refrigeration system includes propane, ethylene, and methane cascaded circuits. Each of the three refrigeration services uses two 50 percent capacity refrigerant compressors with common associated equipment. The scope of train one includes a loading dock, one LNG tank (167,000 cubic meters capacity), two gas turbine generator sets, plus all utilities and buildings. Train two consists of the process unit, one LNG tank (167,000 cubic meters capacity), and one gas turbine generator set. Train three will consist of the process unit and a second loading dock.

Since the GCP removes the majority of the contaminants from the feed gas stream, the LNG plant has no requirement for an amine unit or other inlet gas clean up facility. However, a dehydration unit will be installed (sized for only one train) to remove moisture that could occur during startup of the pipeline or operational shutdown.

The propane and butane in the feed stream also require that a fractionation unit be installed at the site. For the lean (base) case, one fractionation unit will be built with train one and will be utilized for all three trains. For the alternate cases, each train will require a separate fractionation unit.

2.3.2 Environmental and Permitting

The permitting strategy developed for the LNG plant emphasizes three basic percepts:

1. Transfer existing approvals obtained by YPC including the Environmental Impact Statement (EIS) and the Detailed Environmental Impact Assessment for the LNG plant and marine terminal. Also utilize information from various studies conducted and "plans" prepared by YPC. An EIS has been approved for the LNG plant; however, Bechtel anticipates that a supplemental EIS along with an estimated 78 construction permits and 13 operating permits will be required.
2. In conjunction with early engineering activities develop submittals required for obtaining permits from different agencies.
3. Work with the owner and local environmental/permitting subcontractors as necessary to assist preparation of permit submittals.

This strategy will help to obtain permits within the required schedule. Emphasis will be placed initially on obtaining permits and approvals that require studies and preparation of detailed plans. Similarly work on the permits that require multi-agency review and approvals will be started first to allow for enough time for agency reviews. Other significant permits that may have design implications will be addressed at the beginning of permitting process.

Bechtel realizes that it is vital to establish close working relationships early on with all agency-permitting authorities. Our plan is to proactively manage in cooperation with AGPA our relationships with all agency personnel by seeking their input and assistance and involving them in activities throughout the project.

Bechtel will assign a team comprised of environmental specialists and representatives from local contracted environmental consultants to obtain all permits necessary for construction and operation of the LNG plant. A permitting strategy will be implemented that includes a regulatory approved plan, tracking system, and schedules. An environmental inspector will be provided during the construction of the plant.

2.3.3 Design Basis

The inlet feed gas temperature and pressures are the same for each of the three cases. The inlet feed temperature is 35°F. The inlet feed pressure is 1300 psia downstream of the LNG plant inlet flow control valve. The maximum CO₂ and H₂S content is <100 ppmv and 4 ppmv respectfully. Trace water is expected during startup and none during the normal operation of the facility (water is removed at the GCP). Only negligible amounts of mercury are expected since the GCP at the North Slope is designed to remove it.

The Alaska LNG plant feed stream has a high concentration of propane, requiring additional process equipment. The LPG production rates are 29,700 barrels per day (BPD), 92,500 BPD and 153,600 BPD for the lean, rich and raw cases, respectively.

For the LNG product, the high heating value is 1010 –1100 BTU/scf and the H₂S Content at <4 ppmv. The total sulfur content is <0.94 mg/scf.

The propane product specification for ethane in propane is 2 vol% maximum; butane and heavier is 2.5 vol% maximum. The H₂S content is 20 ppm maximum.

The butane product specification criteria is a propane content of 2.0 vol% maximum and the pentane and heavier is 2.0 vol% maximum.

The Valdez site is an ideal harbor for large ocean going vessels due to the deep water surrounding the site. Loading dock one is approximately 270 feet long and loading dock two is 500 feet long. The lean case design is based on loading dock one being installed with train one and loading dock two coming on line with train three. (For the rich and raw cases, loading dock two must be installed with train two due to the increase in propane and butane shipments.) The design also consists of one docked ship per loading dock with concurrent loading. LNG will be loaded from either loading dock and LPG and light condensate will only be loaded from loading dock one.

LNG storage and loading needs consist of a storage capacity of two double containment 167,000 cubic meters capacity tanks. Storage tank operating pressure is 15.4 psia. The LNG loading rate is 44,030 gallons per minute. Loading arm requirements are for two for loading, and one for vapor return (per loading dock). The assumed LNG ship size is 135,000 cubic meters.

Propane and butane storage and loading requirement for storage capacity are two 200,000 barrel tanks. The required ship size is 189,000 barrels.

The design is based on the propane and butane tankers being equipped with vapor return blowers. There will be a common vapor return line to recover propane and butane vapors in case of an emergency during loading. Common loading pumps shall be provided for propane and butane products, but each shall be sized to load the vessels in 10 hours.

2.3.4 Engineering Execution Plan

The engineering plan for the LNG plant basically follows that outlined for the GCP in Section 2.1 except for the non-modularized design. Due to the proprietary nature of the license Phillips Optimized Cascade LNG Process, all documents related to the process will be tightly controlled and held confidential.

2.3.5 Procurement And Logistics

There are many similarities between the procurement and logistics execution for the LNG plant discussed previously in the sections for the gas conditioning and pipeline portions of the report. Therefore only the differences will be discussed here.

The LNG plant is completely erected at the Anderson Bay site so that the coordination with the various module fabricators will not be required as it is for the gas conditioning plant. The

weather should allow materials and equipment shipments throughout the year thereby negating the massive logistic activities that need to occur during the weather window at Prudhoe Bay.

Early in the project a substantial construction dock will be completed with all the necessary equipment to handle roll-on, roll-off (RORO) vessels and other barge material shipments.

Due to the large construction area required for a three train buildout, for three LNG trains, a "cradle to grave" material management system will be employed. Materials will be tracked and statused by design area the time it is identified by engineering on drawings and other technical documents and continuing throughout the entire material acquisition process including delivery and warehousing until it is issued to construction.

2.3.6 Construction Plan

During the first year of construction, an access road from TAPS to the LNG site will be constructed. It will be a gravel all weather road to enable the site to receive vehicles and reduce the risk and cost of marine operations.

Bechtel Labor Relations will assist the project in recruiting qualified craftsmen to support the construction requirements. This recruiting exercise will be integrated with our Alaskan Content program.

The camp capacity will be approximately 2500 and all utilities will be enclosed in utilidors. Primary power and back up power for the first year will be diesel driven. The second year, the primary power will be purchased from the grid and backed up by diesel generators. Catering will be supplied by a subcontractor who will report to Bechtel's camp manager.

During the first year, the construction activities will be initiated with the clearing and grading of the plant site. Blasting will be performed during the fall and winter months to maintain the schedule. During the blasting operation, the holes for the rock-anchoring program will also be drilled.

During the second year of construction, all of the first train mass foundations will be completed in the summer months and the pedestals will be completed in winter. Permanent steel formwork will be used to maximize productivity. Concrete will be provided from our onsite batch plants.

The pipe fabrication shop will handle double joining and small pipe requirements. After the straight run pipe is installed, the spool program will begin. A welding program will be established to maintain welder qualifications, review preheating methods and review post weld heat-treating. Radiographic examinations will be conducted in accordance with project specifications and applicable codes. Tracking of radiographic records will be completed using Bechtel's proprietary software.

The two large cold boxes in each train will be barged to the site and offloaded at the construction dock. SPMTs will be used to move the 750 ton cold boxes to the site.

Most buildings will be erected on site except several electrical buildings, which will be pre-fabricated.

2.3.7 Commissioning And Startup

The Bechtel philosophy for the precommissioning, commissioning, startup, and operation of the Alaska LNG project is to ensure fast, safe, trouble-free startup of the LNG plant and smooth operation for many years thereafter.

This philosophy means that startup, operations, and maintenance know-how is built into the design during the engineering phase and that HAZOP review teams include people with operations and maintenance experience.

The commissioning and startup team (C/SU team) consists of experienced Bechtel personnel. Several of these will have been part of the front-end engineering design (FEED) work and will be an integral part of the engineering and construction work. Vendor representatives will also be well utilized.

Operations, maintenance, supervisory, and specific engineering training will be provided at the site by the best possible instructors, including not only Bechtel specialists but also vendor specialists. The plant maintenance philosophy is developed with the owner's input to ensure that all requirements for maintenance are met while still ensuring that plant down time is kept to the required minimum or less. This philosophy will include considerations for equipment sparing, spare parts availability, and scheduling. Routine maintenance plans will be set in place to ensure plant reliability and efficiency.

Precommissioning, commissioning, and operations manuals are prepared and submitted to owner for review and approval well in advance of the required dates. Bechtel will supply all operating and maintenance personnel for continuous operation of all parts of the facilities up until final takeover. Owner will utilize the facilities for training of personnel and assist in commissioning and startup activities where practical.

2.3.8 Operating And Maintenance Philosophy

The Valdez plant is designed for a continuous operation on a 24-hour a day basis. A shift system based on 3 x 8-hour shifts is proposed. Initially, for the operation of train one, the shift complement should consist of one shift supervisor, one senior operator, one control room operator, one compressor control room operator, and four outside operators. On the job training should ensure that the operators are inter-changeable. This staffing is based on the success of the operation in Trinidad.

To ensure the safe startup and operation of the plant, a comprehensive operational safety management will be pursued. This will also ensure the overall effectiveness of hazard control through all stages of activity. The primary elements of this program will be: 1) site operating procedures; 2) personnel training; 3) emergency procedures; 4) pre startup safety review; and 5) regular audits and reporting.

Site operating procedures will be written to address the identification of responsible persons and to document startup, normal and abnormal operations, and shutdown situations. The operating procedures presently in place at the Trinidad LNG plant will form the basis for these procedures.

Personnel training will be conducted on site as per the scope of work. Instructors will be Bechtel/Phillips specialists along with selected vendor representatives.

Emergency procedures will be prepared for plant control action required to achieve safe holding and shutdown conditions and to ensure the safety of personnel.

The pre-startup review will be structured to ensure that all construction meets intended specifications, that written safety, operating, maintenance, and emergency procedures are in place, and that the training of personnel has been completed.

A Safety Policy and Procedure manual will be developed. The safety policies and procedures will be subject to periodic audits and reviews to ensure continued effective performance, with audit finding being contained in written reports. Any hazardous incident that may occur will be investigated to establish the factors contributing to its cause and recommendations made for any necessary changes to procedures and practices.

The plant will be electronically controlled in a safe and reliable manner by a distributed control system (DCS) with an emergency shutdown system (ESD) as a back up. The DCS consoles will be located in the main control room with the input/output (I/O) racks located in buildings and shelters located in and around the process and utility areas. The I/O racks will be connected to the control room with redundant cabling. I/O racks and associated equipment will be designed for the area classification in which they reside.

Instruments in the field will be wired to local field junction boxes where they will be connected to cables that run to the nearest I/O building. ESD cables will be segregated from regular control signals.

The compressor vendor will supply machine monitoring, control, and shutdown systems for the turbine/compressor packages. These panels will include vibration and temperature monitors as well as load sharing, master control, and anti-surge controllers.

A marine terminal building located on the dock causeway will contain all control and communication equipment required for docking and loading of the ships, including a fire protection panel, ESD and DCS I/O racks, loading arm control panel, and if required, a gas chromatograph for analyzing LNG. The control system at the dock will be linked to the plant DCS via fiber optic cable.

There will be analyzer shelters placed in the plant, located in the process area, for the analysis of feed gas, moisture, and CO₂ content downstream of the gas conditioning section and propane and butane purity coming out of the fractionation area.

The storage and loading operations are designed for concurrent operation with the plant. The tie-up and release of ships will be performed by the maintenance crew. This crew will also perform the hook-up and release of the loading arms and load ship provisions, equipment, etc., as required

A pressurized operations building will be located on the loading deck and staffed throughout the loading process.

The plant will be commissioned, operated, and maintained in a safe manner in accordance with recognized standards and codes of practice. All practicable measures will be specified and adopted to protect the safety of the public and employees. An active safety management program will be implemented and continually updated throughout the operation of the plant.

An onsite-training program for all operations personnel will be prepared and delivered by Bechtel and Phillips specialists along with selected vendor representatives.

Specific training will cover the following subjects:

- The Phillips Optimized Cascade LNG Process
- Process description of all units
- Specific startup/operating/shutdown procedures
- Specific safety procedures
- General electric gas turbines
- Nuovo pignone refrigeration compressors
- DCS/ESD/F&G systems
- LNG pumps
- LNG loading arms
- Boil off gas compressors
- Brazed aluminum plate fin exchangers

A training manual will be prepared for use in conjunction with the classroom sessions. Considerable time will also be spent in the field inspecting the actual equipment and control systems. The exact course content will be set after consultation with the plant operator and when more is known about the prior experience of the trainees.

3.0 PROJECT EPC SCHEDULE

3.1 GENERAL

The overall schedule for the Alaska Gas Development Project is about a six-year program. This includes 23 months to prepare basic design, planning, etc. to get to a final price. With a start date of November 1999, first LNG product is scheduled for October 2005.

The project schedule was developed using a fully integrated logic diagram to assure that the activities necessary to start up the plant are completed (by construction, procurement, and engineering) in the proper sequence. The master schedule has been optimized so that the module fabrication, GCP at Prudhoe Bay, Pipeline and LNG plant programs support each other. The timeline is based on achieving financial closure during October of 2001, releasing the project to proceed. The schedule follows this section.

Weather history was used to develop the seasonal patterns that will affect productivity. Analytical models were used to develop the craft productivity factors. The climate and overtime effects on productivity were validated using Bechtel's historical reports.

3.2 SCHEDULE DISCUSSION – GAS CONDITIONING PLANT

Planning and scheduling will be performed on a fully integrated EPC basis for both the module fabrication and construction of the GCP at Prudhoe Bay. The most significant schedule factors associated with the GCP are the fabrication of the main process modules and the compressor modules and the sealift necessary to transport and offload the approximately 86 modules and vendor assemblies on 27 barges during a three week weather window in the third quarter of 2004.

In order for the project to have all modules and vendor assemblies completed and marshaled at or near Point Clarence, Alaska waiting for open water passage to Prudhoe Bay by the end of July 2004, a number of critical activities must be completed during the FEED study, prior to project full financial release.

The necessary engineering for the six pipeline gas compressors, the three ethylene refrigeration compressors, and the three propane refrigeration compressors must be completed, the requests for proposal issued, the bids received, evaluated, and clarified during the FEED study. This will then support an October 2001 award date for the compressors, allowing approximately 29 months to fabricate, test, and deliver the twelve compressor modules. This duration has been validated through discussions with compressor vendors.

The long list of qualifying module fabrication firms will be further reduced to a short list of targeted fabrication yards. This will be accomplished through further detailed evaluations and facility inspections. Performing this activity during the FEED study will allow the contracts for module fabrication to be awarded as early as February 2002. This will allow module fabrication to commence based on partial completion of detailed engineering.

The process flow diagrams, equipment lists, and associated data sheets, and piping and instrument diagrams (P&IDs) will be issued for detailed design by the end of the FEED study. Vendor data associated with the process equipment will also have been obtained, evaluated and clarified during this period. This will allow awards of contracts for process equipment to begin as soon as project financial release is obtained and will allow permanent plant equipment to be delivered to module yard(s) to support fabrication.

Detailed engineering will commence upon full project financial release and build upon the engineering performed during this study and further refined during the FEED study. Detailed engineering efforts are expected to occur from October 2001 until the last module design is issued for construction in March 2003.

Module fabrication is expected to begin in February 2002 and continue through April 2004. All modules will then be marshaled to the coast of Alaska and await clear weather for the final trip to Prudhoe Bay.

Site preparations will have begun in the third quarter of 2003 and will be completed in early 2004.

The sealift is planned for August 2004. Module unloading, transporting to the site, and interconnecting of the modules will occur from September 2004 through March 2005. These activities will occur on two shifts working seven days per week.

Pre-commissioning and startup will occur from March 2005 through June 2005.

3.3 SCHEDULE DISCUSSION – PIPELINE

The overall pipeline EPC schedule hinges on three critical issues, namely financial closure, environmental planning and permitting, and the proper sequencing of construction activities during the summer and winter weather windows.

The schedule is based on the assumption that the EPC contractor will receive a notice-to-proceed with FEED eleven months after the project began in November 1999. During the following 12 months, environmental planning and permitting activities will begin, including extensive coordination of the system design with the regulating agencies. The project will complete route, geotechnical, and other field surveys, and complete all basic design definition to prepare for issuing most permanent material purchase orders and construction subcontracts. Some pre-commitments will be made during this phase for certain key items of permanent material in order to obtain needed vendor design data and/or to reserve shop/mill space for the project to ensure that the project's schedule can be supported.

Once financial closure is achieved and notice-to-proceed with the full EPC effort has been issued by the end of the twelfth month, formal award of purchase orders and construction subcontracts will commence. Material production will immediately follow for key long-lead items such as pipe, compressors, gas cooling equipment, pre-fabricated buildings, and large valves. The

camps, and certain specialized construction equipment such as trencher and pipe bending machines will also be formally ordered immediately after financial close.

The project will mobilize to the field in two phases, with the first phase coming in the second summer (summer 2002) after the notice to proceed, and the second phase in that following winter. The first phase will include mobilization of some of the construction equipment and preparation of campsites, airstrips, access roads, laydown yards, and material borrow sites. Also included in the first phase will be the mobilization and erection of some of the camps. Limited construction of the site pads for above-ground facilities, such as compressor stations and mainline valves, will also be completed during the first mobilization phase. The remaining construction equipment and camps will be mobilized the following early winter in preparation for construction to begin in the summer of 2003.

This phased approach, especially as it relates to preparing the above ground facility site pads, is intended to aid in proving the project's permitting and logistics efforts before full construction activities are set to begin the following summer.

The schedule is structured to ensure that most material has been fabricated and delivered, and that all essential environmental planning and permitting activities have been completed prior to the start of full spread construction in the summer of 2003. The construction plan has been developed to make use of multiple spreads working both the summer and winter seasons by using a combination of snow/ice roads, gravel workpads, and graded right-of-way. This approach gives the project the greatest assurance of maintaining schedule as the project is not limited to one type of weather condition in which to work.

The pipeline is scheduled to be mechanically completed in the summer of 2005 and ready for gas approximately one month after the gas conditioning plant is scheduled to be ready to process and deliver feed gas to the system. This is one month prior to the need date for gas to be delivered to the LNG plant to allow for commissioning of the first process train. The pipeline and compressor stations are scheduled to be commissioned and ready to enter commercial operation five years from the notice to proceed. Follow up inspection of the restored right-of-way will be conducted during the summer of 2006.

3.4 SCHEDULE DISCUSSION – LNG PLANT

The high rainfall/snow fall at the Valdez site may extend the mechanical completion of the process area. However, the cold winter temperatures will not impact LNG plant completion, as the project critical path is established by completion of the LNG storage tanks.

Delivery or completion of the LNG tanks is based on working a 60-hour workweek. No winter work will be done during the first winter until the outer wall has been erected and the roof has been raised. Once this work is completed, work on the interior portion of each tank will proceed without delay in winter conditions.

The long delivery items include the compressors and the frame 5-D turbine drives. The fabrication and delivery of the cold boxes is also a long delivery item. During the FEED study the process, project, mechanical and plant design will complete as much work as possible.

Procurement will develop quotations for this and other critical equipment because of the long lead times.

Bechtel has scheduled the site preparation to be completed a full year prior to starting of full construction. This site work requires clearing and grubbing of trees and under brush plus removal of a significant amount of rock by blasting. This extra time will allow the LNG tank contractor to prepare for the tank foundation to start construction in the spring of 2002 for the LNG tank.

The startup of the LNG plant can not occur prior to completion of the gas pipeline and gas conditioning plant that is scheduled for mid 2005. After gas is available, it will take approximately three months for first LNG.

1010	Perform Gas Development Study
1020	FEED Commitment
1030	Financial Close / Full EPC Commitment
1040	First Gas Available from Gas Conditioning Plant
1050	First LNG / Train 1 Operational
1060	Train 2 Operational
1070	Train 3 Operational
2010	Gas Conditioning Plant FEED
2020	Environmental Planning / Design / Permitting
2030	Environmental Training and Inspection
2040	Complete PFDs, P&IDs, and Equipment List
2050	Finalize Plot Plans
2060	Finalize Size, Weight, & No. of Modules
2070	Issue Piping Isometric Drawings
2080	Complete Design of Process Modules
2090	Complete Detail Design
2100	Precommit Major Equip./Obtain Vendor Design Data
2110	Traffic & Logistics Planning for Module Delivery
2120	Award Purchase Orders for Major Equipment
2130	Produce/Deliver Major Equip to Module Fabricator
2140	Other Perm. Mat'l Bid/Award/Production/Delivery
2150	Bid/Evaluate/Award Module Fabrication Contract
2160	Bid/Evaluate/Award Module Transport Contract
2170	Fabricate Modules
2180	Transport / Offload Modules
2190	Site Preparation
2200	Install Piling / Site Ready for Modules
2210	Complete all Module Interconnections
2220	Precommission Gas Conditioning Plant
2230	Commission and Start Up Gas Conditioning Plant

Project Start 01OCT99
Project Finish 01OCT99
Data Date 04MAY00
Run Date
© Primavera Systems, Inc.

Early Bar
Progress Bar

Sheet 1 of 1

ALASKA GAS DEVELOPMENT PROJECT
EPC Study
Gas Conditioning Plant Summary Sched

1010	Perform Gas Development Study
1020	FEED Commitment
1030	Financial Close / Full EPC Commitment
1040	First Gas Available from Gas Conditioning Plant
1050	First LNG / Train 1 Operational
1060	Train 2 Operational
1070	Train 3 Operational

3010	Pipeline FEED
3020	Route Selection & Survey / Geotech Survey

3030	Environmental Planning / Design / Permitting
3040	Environmental Training and Inspection
3050	Final Check of Restored Right-of-Way

3060	Complete PFDs, P&IDs, and Equipment List
3070	Finalize Plot Plans
3080	Complete Detail Design

3090	Precommit Pipe & Equip/Obtain Vendor Design Data
3100	Traffic & Logistics Planning for Pipe Deliveries
3110	Award Purchase Orders for Pipe & Equipment
3120	Produce/Deliver Pipe & Equipment
3130	Other Perm. Mat'l Bid/Award/Production/Delivery
3140	Camps Bid/Award/Production/Delivery

3150	Bid/Evaluate Construction Subcontracts
3160	Award Construction Subcontracts
3170	Prepare Campsites / Erect 1st Year Camps
3180	Mobilize Construction Equipment
3190	Install Pipeline and Compressor Stations
3200	Restore Right-of-Way

3210	Hydrotest/Precommission Pipeline and Compr Stas
3220	Purge & Pack / First Gas to LNG Plant
3230	Commission & Start Up Pipeline & Compr Stas

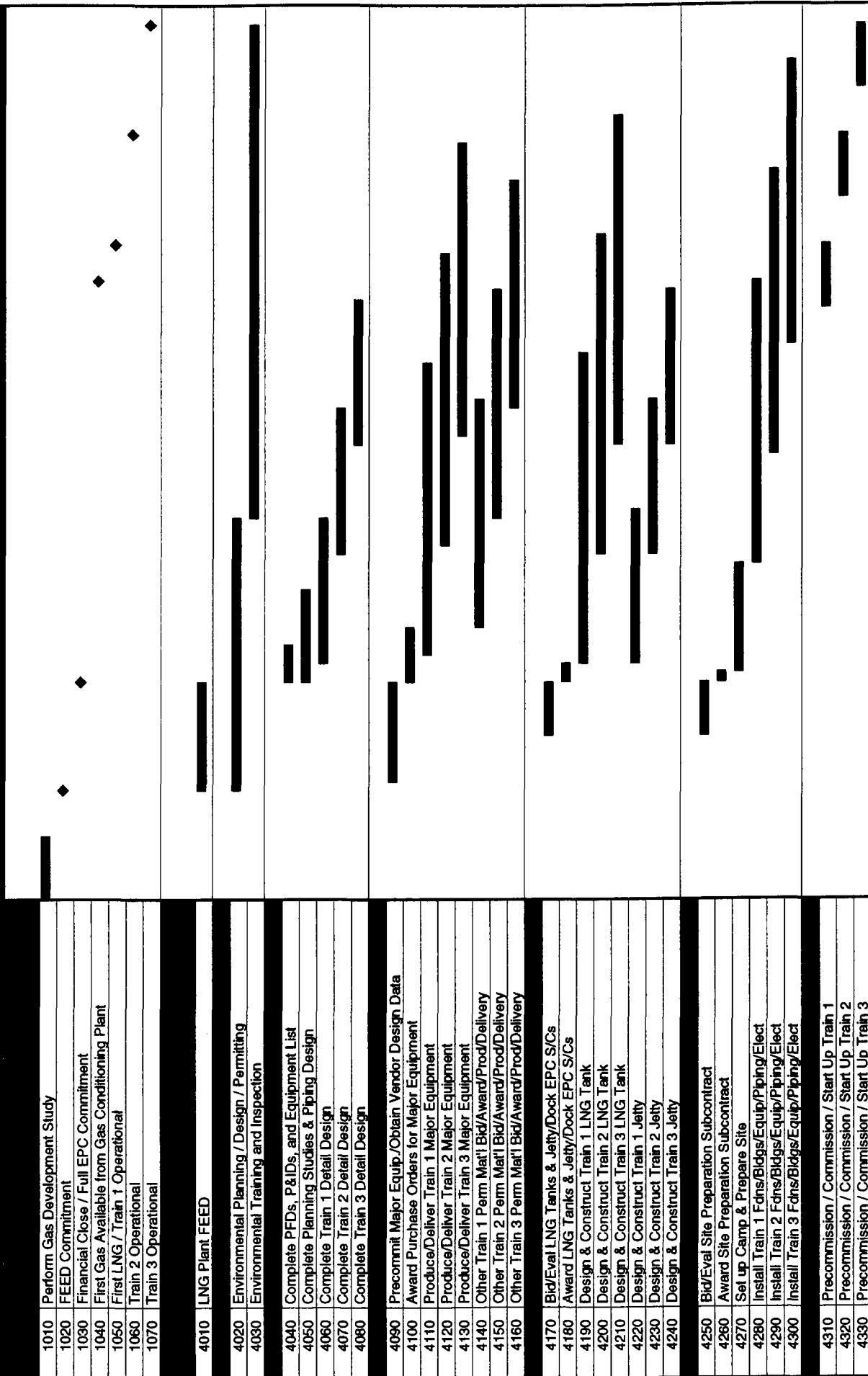
Project Start 01OCT99
Project Finish 01OCT99
Data Date 04MAY00
Run Date

Early Bar
Progress Bar

© Primavera Systems, Inc.

ALASKA GAS DEVELOPMENT PROJECT
EPC Study
Pipeline Summary Schedule

Sheet 1 of 1



ALASKA GAS DEVELOPMENT PROJECT
EPC Study
LNG Plant Summary Schedule

Early Bar
Progress Bar

Project Start 01 OCT 99
Project Finish 01 OCT 99
Data Date 04 MAY 00
Run Date

4.0 RISK

A system to transport North Slope gas across Alaska and convert it to LNG on Alaska's south coast will be an enormous and complex engineering and construction effort. It presents a unique mix of both very well known and relatively new and unknown construction and design challenges.

Included in this transport system would be a GCP at Prudhoe Bay, an 806 mile pipeline closely-paralleling the TAPS oil pipeline, and an LNG plant at tidewater on Alaska's south coast (currently conceived as being sited at Anderson Bay near Valdez, approximately six miles west of the Alyeska Marine Terminal facility).

Thus, sheer size represents an unusual aspect of this project. Size alone is the cause of many significant design and construction challenges with both the plants and pipeline. Although the total workforce projected to construct this system will be significantly lower than that employed to build the Alyeska oil pipeline system in the mid-70's, it is expected to exceed the workforces required to construct other major construction projects in Alaska in the intervening years. It will require attracting a large number of skilled laborers, engineers, and construction control personnel to construct the project, including many from outside Alaska.

Many conditions of significance to the design and construction of this gas transport system are exceedingly well defined compared with what they would be for a new comparable project anywhere else in the world. For instance, due to the huge investments by the petroleum industry on Alaska's North Slope over the last 30 years, the question of how to adapt the design of the GCP for North Slope conditions is considered to be largely resolved. Likewise, recent North Slope construction experience on other major projects provides numerous guidelines regarding how the GCP should be constructed and how to control construction risk.

The technology risk associated with the LNG plant at Valdez is relatively contained and understood based on extensive experience with the proposed systems. This is based on the fact that the Phillips Optimized Cascade LNG Process that is being proposed to liquefy the natural gas is a proven process internationally and in the Alaskan environment. Phillips has been operating a plant in Kenai for over 30 years and has never missed an LNG shipment. The capacity of the Kenai plant is about one-third the capacity of one train of the proposed Port Authority project. However, the Atlantic LNG project, which was started up in 1999 in Trinidad using the Phillips process, has similar size trains to the Alaska Port Authority project.

An important environmental design challenge for the LNG plant results from the very high seismicity associated with Alaska's south coast. Prior engineering studies in the Valdez area have indicated that appropriate "design" lateral loading for the LNG plant, for the extreme earthquake event will be in the range of 0.6 g. The Atlantic LNG plant was designed for extreme earthquake lateral loads equal to 0.6 g. Consequently, given this recent design experience in a similarly seismically active area, it is concluded the design risk associated with the effects of high seismicity on LNG plant design will be much lower for the proposed Anderson Bay plant. Sub-arctic/maritime environmental conditions will also effect the design of the LNG plant. Included are such considerations as the heavy snowfall expected at the Anderson Bay site and other local weather-related design conditions. However, it is concluded that these environmental

conditions do not represent a high design risk, since they are already well defined as a consequence of the design and operation of the nearby Alyeska oil terminal facility.

The 800 mile-long TAPS corridor has received intensive governmental regulation and oversight and is constantly generating additional knowledge of significance to the gas transport project. For example, vast knowledge is available about the geotechnical conditions along the route. After nearly 30 years of Alyeska development and operation, there is much detailed information about extraordinary environmental conditions such as extreme flooding, snowfall, and low temperatures. Large amounts of data exist concerning ecological conditions and wildlife conditions along the corridor. Much of this knowledge will be directly applicable, and often invaluable, with the design and construction planning of the proposed gas pipeline. Experience gained from the maintenance of the Alyeska pipeline right-of-way over the last 25 years will be directly applicable to the design of the proposed gas pipeline (in areas the site-specific, long-term control of surface water, re-establishing vegetation, and ground and slope stabilization.)

In fact, a major risk-reducing consequence of the proposed alignment of the gas pipeline is seen to be its proximity to the largely stabilized and intensively maintained Alyeska pipeline right-of-way.

The infrastructure developed in the mid-70's for the construction of the Alyeska pipeline, and often maintained and upgraded in subsequent years, will be a great value in reducing construction risk for the proposed pipeline. Of prime importance is the existence of the Dalton Highway (previously know as the Haul Road), which extends from Livengood and the Yukon River more than 400 miles north through the Brooks Range to Prudhoe Bay. In addition, numerous other features such as the material sites (sources of construction aggregate) along the corridor, the Alyeska access roads, the Alyeska flood control and river training structures, and many other existing features developed during the construction of the Alyeska pipeline will be of great value in the construction of the proposed gas pipeline. The existence and dependable operation of this infrastructure materially reduces project risk.

Of the many unique design aspects of the proposed gas pipeline design, the most unusual are believed to be the chilled gas pipeline design concept and the pipeline's high-pressure, dense phase hydraulic design. The proposed 48-inch pipeline is designed to operate at a maximum pressure of 2220 psig, the maximum design pressure for a 900# rating of fittings and valves. Availability drops rapidly for the large sizes of fittings and valves for higher ratings and this create risk to both cost and schedule of delivery. At this pressure, the natural gas plus entrained gas liquids exist in dense phase, a single phase exhibiting properties of both liquids and gas. Gas pipelines operate more efficiently at higher pressures. To move the very large volumes of gas required cost-effectively, high-pressure operation is very effective.

Although this proposed operating pressure is unique for a lengthy onshore gas transmission pipeline, it is not considered to represent a radical technical advance versus current practice. The recently completed Alliance pipeline, extending from British Columbia to the vicinity of Chicago, was designed for a maximum operating pressure of 1760 psig. Numerous long-distance offshore gas pipelines, such as many of the major pipelines bringing gas ashore in the UK and Germany from the North Sea gasfields, are designed to operate at a maximum pressure of 2220 psig. Decades of experience with these and other high-pressure pipelines provide an extensive experience base with pipelines operating at these pressures and dense phase flow conditions.

There are short gas pipelines in Alaska, namely gas reinjection pipelines at Prudhoe Bay, which operate at pressures exceeding 3000 psig.

The long-term geotechnical stability of the gas pipeline is thought to be an important technical challenge faced by this project. The problem of ensuring the long-term stability of this permafrost lead the designers of the Alyeska oil pipeline (faced with the necessity of maintaining oil temperatures in the pipeline above approximately 100°F) to support more than 50 percent of the entire length of the pipeline aboveground on pilings so the pipeline would not be in contact with the permafrost.

For the proposed parallel gas pipeline, there is no necessity of maintaining gas temperatures above freezing. In fact, lower gas temperatures lead to greater pipeline efficiency and greater pipeline throughput. Sub-freezing gas temperatures will help maintain the permafrost in its frozen state, promoting pipeline and right-of-way stability.

Thus, this pipeline (throughout the permafrost zones) can be designed as a chilled gas pipeline, maintaining gas flowing temperatures at temperatures below 32°F. This permits the entire 800 mile long pipeline to be buried belowground. With the possible exception of several isolated river crossings, the entire pipeline is expected to be buried except for a small number of crossings that may be less expensive or more secure to construct as aerial crossings.

At each compressor station, after gas pressure is increased by conventional pipeline gas compressors, a combination of heat exchange with the ambient air (depending on the time of year) plus mechanical refrigeration will be employed to lower gas temperatures below 32 degrees. Once the gas is discharged into the downstream pipeline, expansion-cooling of the gas (Joules-Thompson effect) will further reduce gas temperatures, such that station inlet temperatures will typically be in the range of 10 to 20°F. Chilled gas operation will maintain the permafrost in a stable state.

Experience with chilled gas pipelines in permafrost is currently very limited. A notable example of a chilled gas pipeline in operation since 1976 is the 8- and 10-inch fuel gas pipeline that parallels the Alyeska oil pipeline (as well as the route of the proposed 48-inch gas pipeline) extending some 160 miles south from Prudhoe Bay. It was constructed to provide fuel gas to Alyeska's first four pump stations. The fuel gas pipeline is buried in continuous permafrost and has been in continuous and successful operation since 1976.

Concerns exist where a chilled gas pipeline passes through discontinuous permafrost. A pipeline operating at a temperature below freezing while passing through areas of initially-thawed soils given certain soil and groundwater conditions can be exposed to sufficient frost heave to induce high stresses in the pipeline over an extended time (periods ranging from multi-months to multi-years). This pipeline frost heave problem has been extensively studied and modeled for nearly 25 years as a consequence of the numerous and extensive prior studies directed at how to transport arctic gas economically to world markets. As well as being routed to avoid the areas where frost heave could occur, the frost heave mitigation features included in the design of the proposed pipeline are expected to be successful in limiting and controlling pipe stress from frost heave.

During the design of the Alyeska oil pipeline, many concerns were expressed about the possible adverse effects that construction of the pipeline would have on wildlife movements and the natural ecology. Many of these concerns related to the fact that more than half of the pipeline was required to be elevated in order to preserve the stability of the permafrost, creating a potential wildlife barrier.

For the proposed all-buried chilled gas pipeline, far fewer environmental concerns have been identified from the many previous arctic gas pipeline studies for the construction of an all-buried, chilled gas pipeline.

An important concern has been identified at crossings of watercourses (e.g., streams and rivers). At these locations, chilled gas pipeline design will promote the development of a frost bulb around the pipeline, which could combine with normal seasonal freezing to create an ice dam above the pipeline. This ice dam could arrest the groundwater movements through the bed of the river, which sustain over-wintering fish. Also, ice dams may substantially interfere with the normal spring break up of arctic rivers.

The proposed pipeline intends to address this concern by combinations of the following:

- Routing to avoid riverbed conditions where ice damming will occur
- Deeper burial to avoid blocking water movement in the bed of the river
- Pipeline insulation

These measures are expected to control this problem and adequately address this concern.

In summary, the design challenges inherent in an all-buried chilled gas pipeline are seen to be much less than for a partially elevated pipeline and relatively easy to address using largely familiar technologies to the pipeline industry. Due to the many previous design studies and field tests to develop a viable arctic gas pipeline design, it is believed that these design challenges are now well understood. The measures integrated into the design of the proposed gas pipeline are believed to adequately address these challenges, reducing technical risk to acceptable levels comparable with other large first of a kind pipeline projects.

The risk of unexpected change due to the recognition of adverse environmental impacts from pipeline construction, design, and operation is also thought to be relatively low for the following reasons:

- Many studies directed at assessing potential environmental effects of a chilled gas pipeline
- The potential for environmental disruption from an all-buried pipeline is inherently less than for a partially elevated one
- The few areas recognized where operation of a chilled gas pipeline could cause adverse environmental impacts (like the ice dam problem) can be mitigated

The risk that pipeline construction costs could spiral out of control for the proposed pipeline is seen to be high for a variety of reasons. Special risk features include:

- Proposed use of X-80 grade pipe (which has only been in use since 1985)
- Extensive reliance on winter construction
- Relative vulnerability of winter construction to adverse weather conditions, combined with winter darkness
- Remoteness, difficult logistics, difficult terrain
- Proximity to Alyeska pipeline – possibility of construction damage possibility of adverse geotechnical synergy
- Requirement to import large numbers of skilled personnel, equipment, and materials to Alaska
- Complex regulatory requirements
- High environmental sensitivity

Cost control experience with the Alyeska oil pipeline, which underwent a trebling of construction cost from the pre-construction estimate in 1973 to the as-built cost totals in 1977 (to a reported \$8.3 billion 1977 dollars), presents a cautionary example and precedent.

Great care is being taken with the design and construction planning for the proposed gas pipeline to create an environment that makes it easier to control costs and avoid previous mistakes. It is believed that one feature of the design of the Alyeska oil pipeline, which ultimately made cost control impossible, was the sensitivity of design to site-specific geotechnical conditions (most dramatically, where soil conditions required the pipeline design mode to change from belowground to aboveground construction.) As new knowledge about site-specific geotechnical conditions was gathered, including after construction, commenced, the pipeline design concepts generated a requirement for field design change (FDC). Excessive FDC is seen as a major contributor to the cost over-runs experienced. Today, FDCs should be minimized due to the massive information known in the area.

5.0 COST ESTIMATE

5.1 FACILITIES CAPITAL COST

5.1.1 Overview

The overall capital cost for 15 MTPA of LNG for the three component facilities, GCP, pipeline, and LNG plant is estimated to cost from \$11.4 billion for the lean case to \$12.6 billion for the raw case. A breakdown of this cost is shown in Figure 5.0-1 on the following page.

The estimate is the total cost for the engineering, procurement, and construction (EPC) of all the facilities. The estimate includes the capital cost for the LNG shipping and loading berths but does not include the cost of ships to transport the LNG from Valdez. The estimate also excludes purchase of land, owner cost, and cost of money (interest on capital during construction).

The estimate effort utilized current vendor and subcontractor quotations without competitive bidding (budget quotations) as well as historical comparisons to arrive at the total installed cost for the facilities.

5.1.2 Estimate Inclusions/Exclusions

Inclusions In addition to all equipment and materials required for the facilities, the following is also included in the total estimate.

Equipment – The basis of pricing for gas turbines and compressors is Nuovo Pignone Frame D machines, 50,000 HP.

Capital Spares – A list of spare parts and their costs were assembled by engineering based on similar equipment in similar projects. This cost is included in the estimate.

Construction – The overall construction estimate basis has been assembled based on a January, 2000 labor relations survey of union direct hire labor.

Manhours are based on Bechtel estimating standards adjusted for Anderson Bay, Prudhoe Bay, or pipeline route conditions using productivity factors by discipline.

The hourly craft wage rate used in this estimate include payroll tax and insurance, payroll adds, fringes, and overtime.

The work schedule at Anderson Bay is planned to be 60 hours per week (6-10's), with eight weeks at the site followed by two weeks off. At Prudhoe Bay the work schedule is planned to be 70 hours per week (7-10's) with six weeks at the site followed by two weeks off. For the pipeline the work schedule is planned to be a combination of 7 – 10's and 7 – 12's depending on crew with eight weeks on, two weeks off.

Figure 5.0-1
OVERALL PROJECT COSTS (By Case)
15 MTPA
All Costs In Billions

Case	GCP Plant	Pipeline	LNG Plants	Grand Total
Lean	1.7	6.5	3.2	11.4
Rich	2.0	6.6	3.2	11.9
Raw	2.3	7.0	3.3	12.6

Distributable field costs were calculated including costs of temporary construction facilities, construction equipment, tools and supplies, field non-manual, camp facilities, boats/barges costs, and environmental compliance inspection during construction.

Freight/Heavy Haul – Freight costs, including inland freight and ocean freight, for equipment and bulks from the suppliers to job sites were estimated.

Heavy haul costs have been factored from subcontractor actuals and validated by other quotes for cradle to grave handling of compressors and cold boxes.

Vendor Representatives – A list of vendor representatives and associated costs was developed based on similar projects with similar equipment. These costs are included in the estimate.

Catalysts and Chemicals – A list of catalysts and chemicals for initial fill was developed and priced based on in-house pricing for similar materials. These costs are included in the estimate.

Commissioning and Startup – A list of commissioning and startup costs was developed based upon similar plants. These costs are included in the estimate.

Home Office Engineering Services – The cost of home office engineering services was estimated based on engineering manhours and a priced list of third-party subcontractors (i.e., geotech, seismic, wave bathymetry, route surveys, etc). Environmental permitting hours are also included.

Escalation – The centroids of the project activities (engineering, procurement, construction, etc.) were determined and an appropriate annual forward escalation was applied to the current cost of each activity and is included in the estimate. The overall escalation was eight to ten percent depending on the facility.

Contingency – The recommended contingencies are intended to cover uncertainties within the scope of each contractor's estimated services and materials such as quantities, hours, and rates and are included in the estimate. These contingencies will not cover growth in scope of work or services.

Insurance – Costs of workers compensation and contractors general liability insurance are included in the wage rates. The costs of builder's risk and marine cargo insurance is also included.

Bechtel Risk, Overhead and Fee – Bechtel risk, overhead, and fee are included.

Technology Licensing Fees – All required technology licensing fees are included in the estimate.

Exclusions

- Purchase of land
- Cost of money (interest on capital during construction)
- Owners cost
- Ships for transporting LNG

5.2 OPERATING AND MAINTENANCE COSTS

5.2.1 General

This section contains the operating and maintenance (O&M) costs on an annual basis for a normal year of O&M for the three facilities. Each facility is discussed separately in the following pages.

5.2.2 Gas Conditioning Plant

Figure 5.2.2-1

ANNUAL OPERATING AND MAINTENANCE COSTS Gas Conditioning Plant

Item	Annual Cost (000's)
Personnel (78 @ 120K average)	9,360
Benefits	3,000
Vehicles/fuels/tools/consumables	450
Propane refrigerant	450
Ethylene refrigerant	1,000
Molecular sieve	385
Catalysts/Chemicals/Lube Oils	350
Liquid Nitrogen	300
Training/Public Relations/Business Travel	750
Maintenance Materials	7,000
Maintenance Contract on GTs & Compressors	5,000
Other Contract Services	1,500
Environmental compliance/reporting/testing	650
Communications/Automation/Computers	600
Home Office support	350
TOTAL	31,145

Personnel/Benefits

The amount shown is based on the number of personnel on staff and includes rotation from Anchorage to Prudhoe Bay.

Vehicles/Fuels/Tools/Consumables

The total amount shown represents the supply of site vehicles and the fuel required to operate them. It also contains funds for the purchase of tools for the maintenance crafts and consumables such as coveralls, gloves, hats, goggles, cleaning supplies, batteries, flashlights, gas/O₂ detectors, dew point meters, and other miscellaneous items.

Propane Refrigerant

The total is based on estimated losses during startup and also normal make up required for seal system losses on the compressors as specified by the compressor manufacturer during the startup and initial plant operation.

Ethylene Refrigerant

The total is based on estimated losses during start up and also normal make up required for seal system losses on the compressors as specified by the compressor manufacturer during the start up and initial plant operation.

Molecular Sieve

The total is based upon the expected change out molecular sieve volumes of the drier beds on a three-year basis.

Training/Public Relations/Business Travel

The amount shown is to cover the cost of training for the operations staff based on past experience and training programs used on other projects.

Maintenance Materials on GTs and Compressors

The amount shown is the cost of the supply of materials for all parts of the facility except the gas turbines and compressors during normal plant operations.

Maintenance Contract on GTs and Compressors

The amount shown is the cost of the vendor contract services for the gas turbines and compressors during normal plant operation.

Other Contract Services

The amount shown is the cost of contract services provided for other plant equipment not included in the principle gas turbines and compressors during normal plant operation.

Environmental Compliance/Reporting/Testing

The amount shown is the cost of maintaining a continuous environmental monitoring program including equipment and specialty support requirements to meet all environmental requirements for the plant.

Communications/Automation/Computers

The amount shown is to cover the cost of work stations (40), LAN support during commissioning and startup, PABX support, and the cost of communications.

Home Office Support

The amount shown is the cost of home office support from all disciplines.

Note: Fuel gas and power costs are not included in the costs as they are expected to be supplied from within the plant.

5.2.3 Pipeline (For Three Trains – 15 MTPA)

Figure 5.2.3-1

ANNUAL OPERATING AND MAINTENANCE COSTS Pipeline

Item	Annual Cost
Personnel (25 @ \$120K average)	3,000
Benefits	960
General Operating Costs	1,250
Intelligent Pigging	2,560
Frost Heave Remediation	780
Turbo Compressor / Turbo Generator Maintenance	1,115
General Maintenance	20,000
Turbine Overhaul	1,650
Other Spare Parts	2,000
Environmental Monitoring	625
Agency Fees	500
General & Administrative	1,000
TOTAL	35,440

Personnel/Benefits

The amount shown is based on the number of personnel on staff and includes rotations.

General Operating Costs

The amount shown represents maintenance and fuel costs for vehicles, power costs for the Fairbanks maintenance base, purchase of small tools for maintenance, and various maintenance consumables such as coveralls, gloves, hats, goggles, cleaning supplies, batteries, etc.

Intelligent Pigging

The amount shown is a 12-year average of 18 runs the first year, an average of four runs for each of the next four years, and one run every year through the twelfth year, all at an average cost of \$750,000 for each run through the entire 800 mile pipeline system.

Frost Heave Remediation

The amount shown is a 12-year average of 20 site repairs the first year, and average of 12 repairs per year for the next four years, and seven repairs per year through the twelfth year, all at an average cost of \$80,000 for each repair.

Turbo Compressor / Turbo Generator Maintenance

The amount shown is an allowance for maintenance of the turbine powered compressor and electrical generator equipment.

General Maintenance

The amount shown represents the depreciation costs of a maintenance base in Fairbanks, right-of-way patrols, right-of-way restoration, maintenance, and depreciation of vehicles and maintenance equipment.

Turbine Overhaul

The amount shown is a 12-year average of scheduled overhauls in year six (\$8.0 million) and year 12 (\$11.8 million).

Other Spare Parts

The amount shown is an allowance for miscellaneous operating spare parts.

Environmental Monitoring

The amount shown is a 12-year average to cover the costs of inspecting the right-of-way for environmental compliance during the summer months, including labor costs, living allowances, and transportation costs. This is based on providing six field inspectors the first summer, four field inspectors for each of years two through five, inclusive, and two field inspectors for years six and beyond. Also included are funds to cover the year-round cost of one lead environmental supervisor.

Agency Fees

The amount shown represents ongoing agency costs related to regulation of pipeline operating activities.

General and Administrative

The amount shown covers the costs of communications, automation, miscellaneous supplies, and any home office support.

Note: Fuel gas and power costs (except the Fairbanks maintenance base) are not included in the costs as they are expected to be supplied from within the plant.

5.2.4 LNG Plant (For Three Trains – 15 MTPA)

Figure 5.2.4-1

ANNUAL OPERATING AND MAINTENANCE COSTS LNG Plant

Item	Annual Cost (000's)
Personnel (234 @ 120K average)	28,080
Benefits	9,000
Vehicles/fuels/tools/consumables	1,350
Propane refrigerant	1,050
Ethylene refrigerant	2,550
Molecular sieve	1,155
Catalysts/Chemicals/Lube Oils	1,050
Training/Public Relations/Business Travel	2,250
Maintenance Materials	10,500
Maintenance Contract on GTs and Compressors	8,160
Other Contract Services	4,500
Environmental compliance/reporting/testing	2,280
Communications/Automation/Computers	750
Home Office support	650
Port/Shipping support	18,503
TOTAL	91,828

Personnel/Benefits

The total amount shown is based on the number of personnel on staff and includes rotations.

Vehicles/Fuels/Tools/Consumables

The total amount shown represents the supply of site vehicles and the fuel required to operate them. It also contains funds for the purchase of tools for the maintenance crafts and consumables such as coveralls, gloves, hats, goggles, cleaning supplies, batteries, flashlights, gas/O₂ detectors, dew point meters and other miscellaneous items.

Propane Refrigerant

The total is based on estimated losses during startup and also normal make up required for seal system losses on the compressors as specified by the compressor manufacturer during the startup and initial plant operation.

Ethylene Refrigerant

The total is based on estimated losses during startup and also normal make up required for seal system losses on the compressors as specified by the compressor manufacturer during the startup and initial plant operation.

Molecular Sieve

The total is based upon the expected change out molecular sieve volumes of the drier beds on a three year basis.

Training/Public Relations/Business Travel

The amount shown is to cover the cost of training for the operations staff based on past experience and training programs used on other projects.

Maintenance Materials

The amount shown is the cost of the supply of materials for all parts of the facility except the gas turbines and compressors during normal plant operation.

Maintenance Contract on GTs and Compressors

The amount shown is the cost of the vendor contract services for the gas turbines and compressors during normal plant operation.

Other Contract Services

The amount shown is the cost of contract services provided for other plant equipment not included in the main refrigeration gas turbines and compressors during normal plant operation.

Environmental Compliance/Reporting/Testing

The amount shown is the cost of maintaining a continuous environmental monitoring program including equipment and specialty support requirements to meet all environmental requirements for the plant.

Communications/Automation/Computers

The amount shown is to cover the cost of work stations (40), LAN support during commissioning and startup, PABX support, and the cost of communications.

Home Office Support

The amount shown is the cost of home office support from all disciplines based on actual manhours from other projects.

Port/Shipping Support

The amount shown is the cost of supporting the LNG shipments with such items as pilotage, towage, berthing fees, port fees, customs, agency fees, communications, moorings, etc.

Note: Fuel gas and power costs are not included in the costs as they are expected to be supplied from within the plant.

5.3 OWNER COSTS

5.3.1 General

The basis of this estimate is that there will be a competent, major overall EPC contractor appointed for the EPC phase, and that a large owners team of overseers will not be required. The make-up of the owner's EPC project management team will no doubt be a very key issue as this project develops. There may be more personnel than estimated below if each of several large oil companies require heavy participation in EPC project management.

5.3.2 Basis of Estimate

The basis of this estimate follows:

- Owner's team directly involved with the EPC contractor(s) for GCP, pipeline, and LNG plant
- Covers all locations; home office, North Slope, pipeline, gas conditioning module fabrication yards, and LNG plant are included
- EPC phase runs for 48 months from 10/01 to 10/05
- Owner's EPC team is in place for 61 months from 9/00 to 10/05
- That portion of owners EPC team that covers the LNG plant will continue in operation for another 24 months for completion of Trains 2 and 3
- Personnel costs per year are the same as those used in operating cost estimates
- The same overall average cost per year is used for all locations.

5.3.3 Cost Components

The total manpower for the owner is estimated at 60 people with about 72 at peak. This manning is estimated to cover all three facilities and includes any support personnel for the owner's team that is directly involved with the EPC contractor. It is estimated that about 20 people will be involved in these support positions (e.g., legal, human resources, accounting). Personnel cost is

estimated at an average of \$158,000 annually (all in) and includes medical, payroll benefits, transportation, and subsistence. This rate is used for all locations. The cost shown below also covers the owners permanent operations staff that is mobilized during the EPC phase of the project. This cost, called "Year Zero Operations Cost" is set at 40 percent of annual operating costs excluding catalyst, chemicals, supplies i.e., initial charges that are included in the EPC price.

5.3.4 Owner Cost Summary

Owner EPC team	\$24 Million
Owner LNG team (Δ for Trains 2/3)	\$4 Million
Support staff	\$16 Million
Year zero operating cost	\$40 Million
<hr/>	
Total	\$84 Million

This number is less than 1 percent (0.75%) of the total EPC price. This is historically a low number but one we believe can be achieved if the basis in Section 5.3.1 is maintained throughout the project.

APPENDIX U

Photograph of Anderson Bay Site and Valdez Marine Terminal



Anderson Bay
Site

APPENDIX V

Drawing of Anderson Bay LNG Liquification and Marine Terminal Site

**THIS PAGE CONTAINS PROPRIETARY OR TRADE
SECRET INFORMATION THAT IS CONFIDENTIAL TO
THE PORT AUTHORITY, WHO REQUESTS THAT THE
INFORMATION BE KEPT CONFIDENTIAL AND
EXEMPT FROM PUBLIC DISCLOSURE TO THE
EXTENT PROVIDED IN AS 43.90.150 & AS 43.90.160**

Appendix V – Drawing of Anderson Bay LNG Liquification and Marine Terminal

AGPA requests confidential treatment of information contained in Appendix V – Drawing of Anderson Bay LNG Liquification and Marine Terminal to its AGIA Application.

The Drawing of Anderson Bay LNG Liquification and Marine Terminal marked as Appendix V to AGPA's AGIA application consists of and contains proprietary information (as defined by AS 43.90.900 (20) and Trade Secrets (as defined by AS 45.50.940 (3)). The Drawing of Anderson Bay LNG Liquification and Marine Terminal contains proprietary information and valued intellectual property and release of this information would cause significant damage to AGPA and its project. There is no question that release of the information "... would adversely affect the competitive position of the applicant or materially diminish the commercial value of the information to the applicant[.]" AS 43.90.900 (2). Moreover, the information "... derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use;" and "... is the subject of efforts that are reasonable under the circumstances to maintain its secrecy." AS 45.50.940 (3).

Brief non-confidential summary pursuant to AS 43.90.160:

The information contained in Appendix V – Drawing of Anderson Bay LNG Liquification and Marine Terminal consists of detailed drawing of the Anderson Bay LNG Liquification and Marine Terminal. Please note that the drawing of the Anderson Bay LNG Liquification and Marine Terminal does not lend itself to being copied with the proprietary or trade secret information redacted.

